COMMITTEE AGENDA

CITY OF Guelph
Making a Difference

TO	**Governance Committee**
DATE	October 9, 2012
LOCATION	Council Chambers
TIME	3 p.m.

DISCLOSURE OF PECUNIARY INTEREST AND GENERAL NATURE THEREOF

CONFIRMATION OF MINUTES – July 9, 2012 open and closed meeting minutes

PRESENTATIONS (Items with no accompanying report)

None

CONSENT AGENDA

The following resolutions have been prepared to facilitate the Committee's consideration of the various matters and are suggested for consideration. If the Committee wishes to address a specific report in isolation of the Consent Agenda, please identify the item. The item will be extracted and dealt with separately. The balance of the Governance Committee Consent Agenda will be approved in one resolution.

ITEM		CITY PRESENTATION	DELEGATIONS	TO BE EXTRACTED
GOV-18	Measuring Our Success: Corporate Strategic Plan Key Performance Indicators	• Brenda Boisvert, Corporate Manager, Strategic Planning		√
GOV-19	Status Report – Service and Operational Reviews	• Loretta Alonzo, Internal Auditor		√
GOV-20	Audit-Review – New Rating System and Methodology	• Loretta Alonzo, Internal Auditor		√
GOV-21	Enterprise Risk Management Framework	• Loretta Alonzo, Internal Auditor		√

Resolution to adopt the balance of the Governance Committee Consent Agenda.

ITEMS EXTRACTED FROM CONSENT AGENDA
Once extracted items are identified, they will be dealt with in the following order:
1)	delegations (may include presentations)
2)	staff presentations only
3)	all others.

NEXT MEETING – November 13, 2012

The Corporation of the City of Guelph
Governance Committee
Monday July 9, 2012, 3:00 p.m.

A meeting of the Governance Committee was held on Monday July 9, 2012 in the Council Chambers at 3:00 p.m.

Present: Mayor Farbridge and Councillors Dennis, Findlay, Hofland, and Piper

Staff Present: Ms. A. Pappert, Chief Administrative Officer; Mr. M. Amorosi, Executive Director, Corporate & Human Resources; Ms. C. Bell, Executive Director, Community & Social Services; Mr. A. Horsman, Executive Director of Finance & Enterprise; Mr. D. McCaughan, Executive Director, Operations, Transit & Emergency Services; Mr. B. Labelle, City Clerk; and Ms. J. Sweeney, Council Committee Co-ordinator.

There were no disclosures.

1.   Moved by Councillor Hofland
         Seconded by Councillor Findlay
THAT the minutes of the Governance Committee meeting held on May 22, 2012 be confirmed as recorded and without being read.

VOTING IN FAVOUR: Councillors Dennis, Findlay, Hofland and Mayor Farbridge (4)

VOTING AGAINST: (0)

                                                                                    Carried

Consent Agenda

The following items were extracted from the Consent Agenda to be dealt with separately:
* GOV-13   Corporate Business Development Framework
* GOV-14   2012 Council Governance Survey – Summary of Results
* GOV-15   2011 Delegation of Authority Report
* GOV-16   Interagency Relations
* GOV-17   Communications Plan for Corporate Strategic Plan

2.   Moved by Councillor Findlay
         Seconded by Councillor Hofland
THAT the Governance Committee now hold a meeting that is closed to the public with respect to:

S. 239 (2) (f) of the *Municipal Act* – advice that is subject to solicitor-client privilege.

                                                                                    Carried

Closed Meeting of the Governance Committee (3:03 p.m.)

Interagency Relations

3.   Moved by Councillor Findlay
         Seconded by Councillor Hofland
Ms. D. Jaques   That the report dated July 9, 2012 regarding "Interagency Relationships" be received.

                                                            Carried

Open Meeting of the Governance Committee (3:18 p.m.)

Corporate Business Development Framework

Mr. Peter Cartwright, General Manager of Economic Development, provided an overview of the staff report contained in the meeting agenda. He advised that the intent of the framework is to improve collaboration between the City, stakeholders and public organizations. He highlighted the framework principles, processes, and related pilot program.

The Committee posed questions relating to pilot projects.

4.   Moved by Councillor Hofland
         Seconded by Councillor Piper
Mr. P. Cartwright   THAT the report dated July 9, 2012 regarding a 'Corporate Business
Mr. A. Horsman   Planning Framework', be received.

VOTING IN FAVOUR: Councillors Dennis, Findlay, Hofland, Piper and Mayor Farbridge (5)

VOTING AGAINST: (0)

                                                            Carried

2012 Council Governance Survey – Summary of Results

5.   Moved by Councillor Hofland
         Seconded by Councillor Piper
Mayor Farbridge   That the 2012 Council Governance Survey Summary of Results be
Ms. A. Pappert   used to further inform the 2013-2014 Governance work plan.
Ms. B. Boisvert
Mr. B. Labelle   VOTING IN FAVOUR: Councillors Dennis, Findlay, Hofland, Piper and Mayor Farbridge (5)

VOTING AGAINST: (0)

                                                            Carried

2011 Delegation of Authority Report

Committee posed a number of questions for clarification with respect to specific items which had been delegated to staff by Council.

Mr. B. Labelle

6.   Moved by Councillor Findlay
       Seconded by Councillor Dennis
That the report dated July 9, 2012 entitled "2011 Delegation of Authority Report" be received.

VOTING IN FAVOUR: Councillors Dennis, Findlay, Hofland, Piper and Mayor Farbridge (5)

VOTING AGAINST: (0)

                                                Carried

Interagency Relations

Mr. Mark Amorosi, Executive Director, Corporate & Human Resources, in response to questions advised that staff would review an appropriate time with which to regularly report to the Governance Committee with respect to interagency relations and include such timing on the Committee's Rolling Calendar.

Ms. D. Jaques
Mr. M. Amorosi

7.   Moved by Councillor Piper
       Seconded by Councillor Hofland
That the report dated July 9, 2012 regarding "Interagency Relationships" be received for information.

VOTING IN FAVOUR: Councillors Dennis, Findlay, Hofland, Piper and Mayor Farbridge (5)

VOTING AGAINST: (0)

                                                Carried

Communications Plan for Corporate Strategic Plan

Ms. Heather Roseveare, Corporate Manager, Corporate Communications, provided an overview of the staff report contained in the meeting agenda. She requested that members of Committee/Council advise her of the resources and tools they feel would best assist them in communicating the Corporate Strategic Plan to staff and the public.

Members of the Committee offered several suggestions and agreed to follow up with Ms. Roseveare on further thoughts.

8.   Moved by Councillor Hofland
          Seconded by Councillor Dennis

Ms. C. Bell   THAT Report CHR-2012-51 dated July 9, 2012 from Corporate and
Ms. H. Roseveare   Human Resources regarding the communications plan for the
                     Corporate Strategic Plan is received.

VOTING IN FAVOUR: Councillors Dennis, Findlay, Hofland, Piper and Mayor Farbridge (5)

VOTING AGAINST: (0)

                                                        Carried

9.   Moved by Councillor Findlay
          Seconded by Councillor Dennis
That the meeting of the Governance Committee of July 9, 2012 be adjourned.

                                                        Carried

The meeting adjourned at 4:20 p.m.

                    …………………………………..
                          Chairperson

October 9, 2012

Members of the Governance Committee.

SUMMARY OF REPORTS:

The following resolutions have been prepared to facilitate the Committee's consideration of the various matters and are suggested for consideration. If the Committee wishes to address a specific report in isolation of the Consent Agenda, please identify the item.   The item will be extracted and dealt with immediately. The balance of the Governance Committee Consent Agenda will be approved in one resolution.

A   Reports from Administrative Staff

REPORT	DIRECTION
GOV-2012.18) MEASURING OUR SUCCESS: CORPORATE STRATEGIC PLAN KEY PERFORMANCE INDICATORS That the report dated October 9, 2012 entitled 'Measuring our Success: Corporate Strategic Plan Key Performance Indicators' be approved.	Approve
GOV-2012.19) STATUS REPORT – SERVICE AND OPERATIONAL REVIEWS That the report dated October 9, 2012 entitled "Status Report – Service and Operational Reviews" be received for information.	Receive
GOV-2012.20) AUDIT-REVIEW – NEW RATING SYSTEM AND METHODOLOGY That the proposed new rating system and methodology for future audits-reviews be approved in principle; AND THAT staff be directed to prepare a complete list of ranked and rated services with recommendations for selected audits for 2013 by the end of November 2012, at which time they will be presented to Committee for approval.	Approve
GOV-2012.21) ENTERPRISE RISK MANAGEMENT FRAMEWORK THAT the proposed Enterprise Risk Management Framework be approved for implementation.	Approve

I

attach.
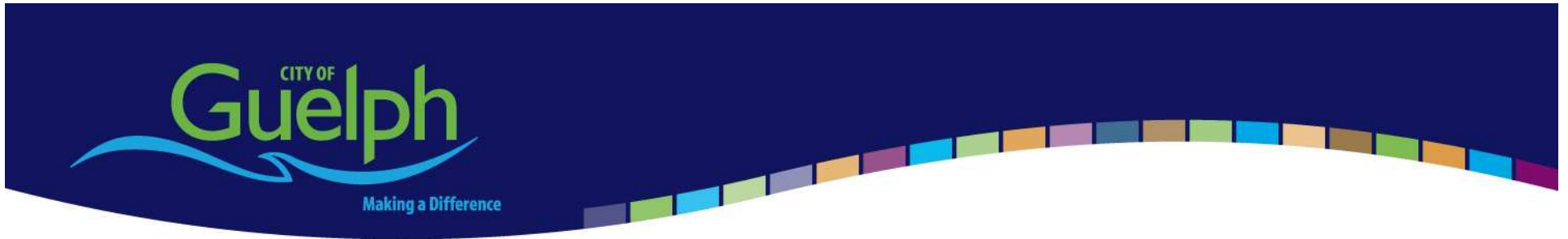
Measuring Our Success:
Corporate Strategic Plan (CSP)
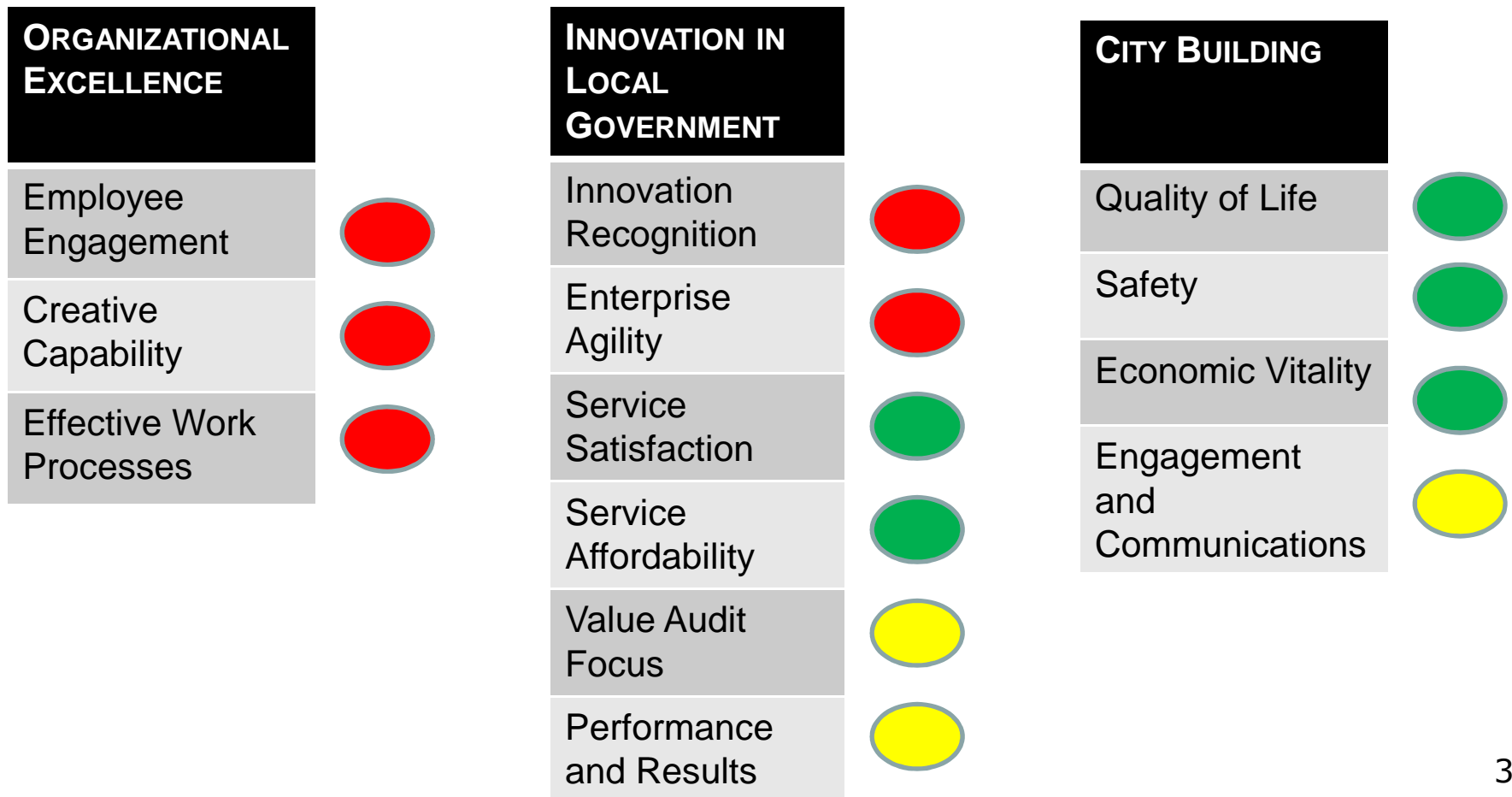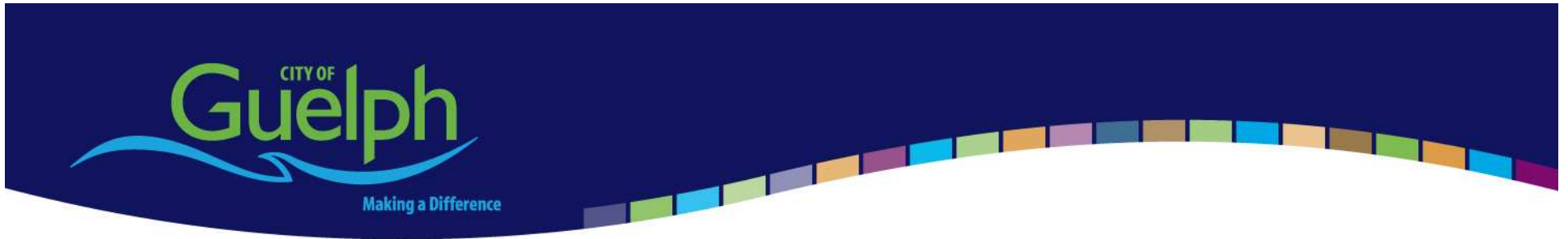# Key Performance Indicators

Governance Committee

October 9, 2012

Key Performance Indicators

- Monitor performance
- Track progress
- Link and align
- Reported to Council annually
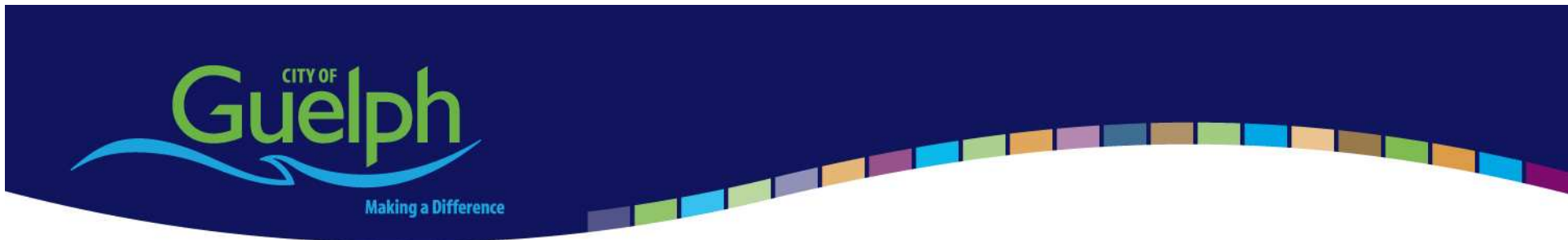- Include recommended and 'under assessment' indicators

Vision, Mission, Values
Strategic Focus Areas and Strategic Directions

Key Performance Indicators

Strategic Initiatives

Service Area and Departmental Objectives

Divisional Performance Plan

Individual Performance Plan

CSP Dashboard

ORGANIZATIONAL EXCELLENCE	
Employee Engagement	🔴
Creative Capability	🔴
Effective Work Processes	🔴

INNOVATION IN LOCAL GOVERNMENT	
Innovation Recognition	🔴
Enterprise Agility	🔴
Service Satisfaction	🟢
Service Affordability	🟢
Value Audit Focus	🟡
Performance and Results	🟡

CITY BUILDING	
Quality of Life	🟢
Safety	🟢
Economic Vitality	🟢
Engagement and Communications	🟡

3

CSP Scorecard:
Organizational Excellence

➢ Employee Engagement
➢ Creative Capability
➢ Effective Work Processes

1.1 Engage employees through excellence in leadership

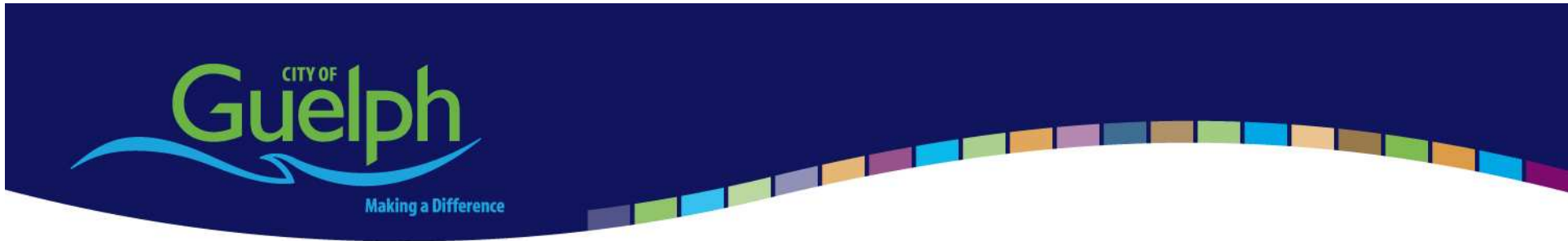| Indicator	Measure	Current Performance	Target
Employee Engagement	Level of employee engagement	41% (2012)	47% by 2016
	Percentage of employees achieving above and beyond what is expected	36% inspiration to excel (2012)	42% by 2016

Metrics under consideration – Corporate Strategic Focus and Leadership Development

1.2 Develop collaborative work teams and apply whole systems thinking to build creative solutions

Indicator	Measure	Current Performance	Target
Creative Capacity	Training and learning achieved vs. targeted	Development phase (2012)	100% completion rate in 2014
	Number of task forces required vs. implemented	To be established (2012)	100% implementation rate in 2013
	Success rate of task forces achieving actual vs. targeted whole systems solutions for application	To be established (2012)	100% achievement of stated objectives in 2014

Metric under consideration – Collaboration results

*Assumptions and Risk Variables included in Council report.*

1.3 Build robust systems, structures and frameworks that are aligned to strategy

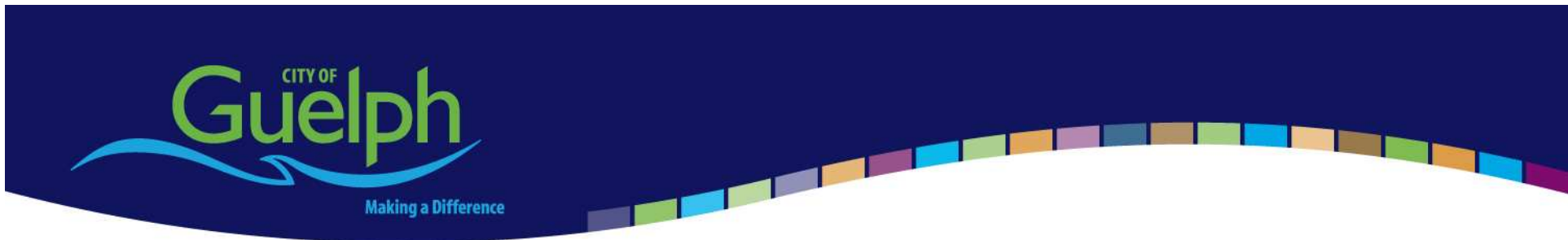| Indicator	Measure	Current Performance	Target
Effective Work Processes	Employee perception of processes in place to enable high levels of productivity as measured through the engagement survey	35% (2012)	41% by 2016

Metric under consideration – Integrated Management Systems

Assumptions and Risk Variables included in Council report.
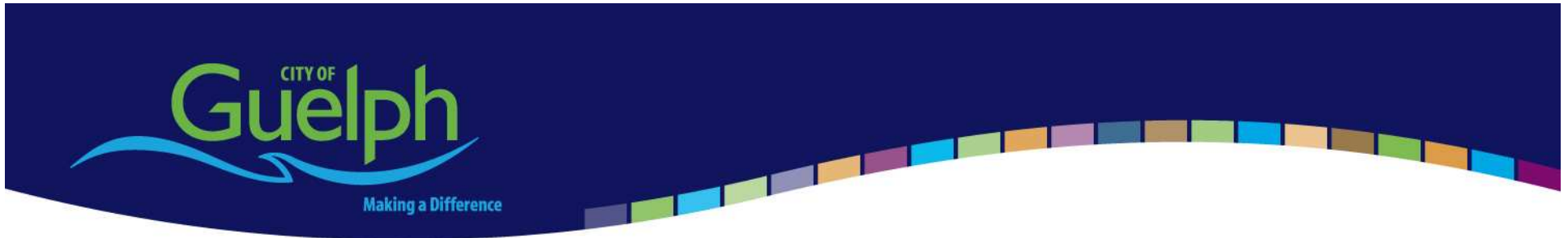
CSP Scorecard:
Innovation in Local Government

➢Innovation Recognition
➢Enterprise Agility
➢Service Satisfaction
➢Service Affordability
➢Value Audit Focus
➢Performance and Results

## 2.1 Create an environment for government innovation to ensure fiscal and service sustainability

Indicator	Measure	Current Performance	Target
Innovation Recognition	Number of employee generated innovations that create enhanced value for residents/stakeholders	To be established (2012)	Year over year increases
Enterprise Agility	Targeted learning and training vs. actual for identified employees	Development Phase (2012)	100% targeted training completion rate by 2014
	Number of innovation pilot teams implemented vs. targeted	To be established (2012)	100% implementation rate (2013)
	Achievement of key performance indicators in Joint Operational Review of Development Application Review process	To be established (2012)	100% achievement of key performance indicators within established timeframes

Metric under consideration – Strategic Partnering and Outreach

Assumptions and Risk Variables included in Council report.

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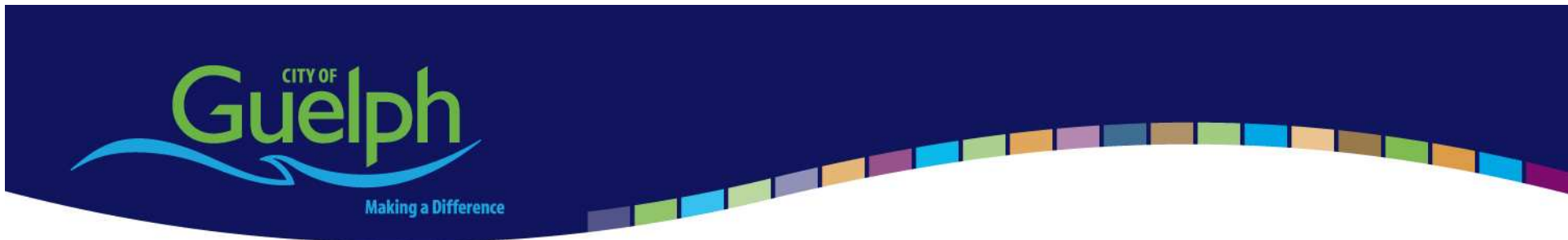
2.2 Deliver better public service

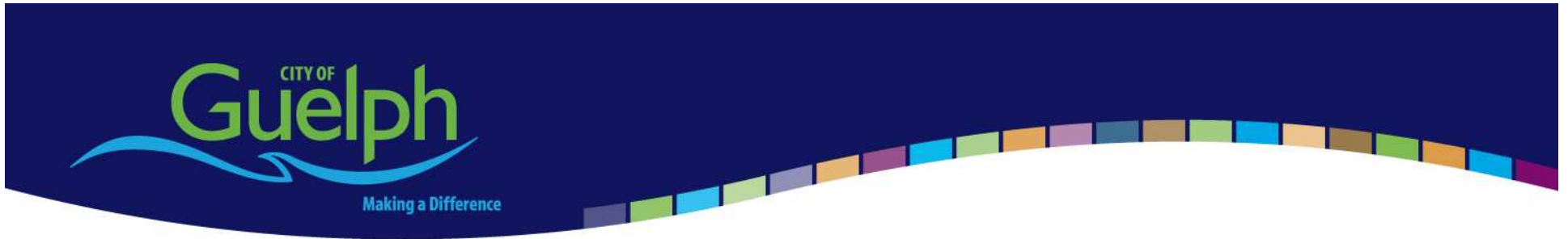| Indicator	Measure	Current Performance	Target
Service Satisfaction	Perceived level of satisfaction with services provided by the City	83% (2011)	Sustain or exceed 83% in 2015
Service Affordability	The ability to pay for municipal services: water + waste water + taxes as a % of average household income	5% (2011)	<5.5% annually
Value Audit Focus	Number of Internal Auditor led value for money audits and recommendation implementation rate	1 (2012)	100% implementation rate within approved timeframes

Metrics under consideration – Service Responsiveness

2.3 Provide accountability, transparency and engagement

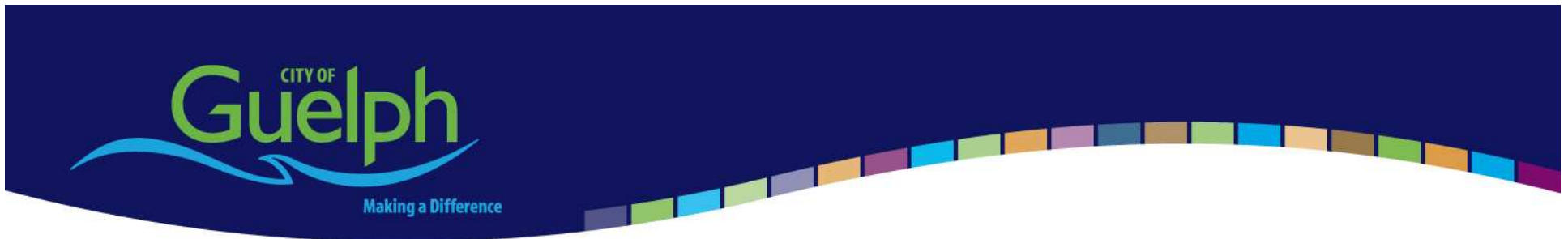| Indicator	Measure	Current Performance	Target
Performance and Results	Targeted vs. actual implementation of approved audit recommendations focused on operations performance or compliance	To be established (2012)	100% implementation rate within confirmed timeframe

Metrics under consideration – Open Government

Assumptions and Risk Variables included in Council report.

CSP Scorecard:
City Building

➢Quality of Life
➢Safety
➢Economic Vitality
➢Engagement and Communications

3.1 Ensure a well-designed, safe, appealing and sustainable city

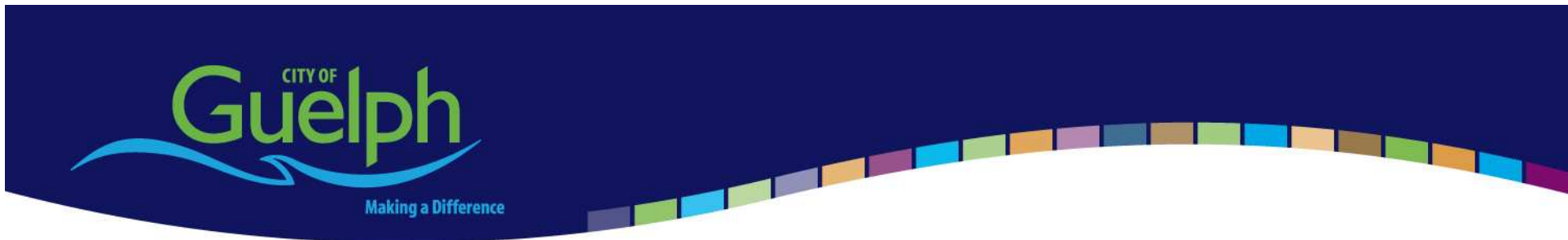| Indicator	Measure	Current Performance	Target
Quality of Life	Perception of quality of life in Guelph - % of residents citing positive change over preceding three years.	22% (2011)	>25% in 2015
Safety	Guelph rating on the Annual Crime severity index as measured by Statistics Canada	47 (2012)	Maintain current standing; <all census metropolitan areas (2013)
	Guelph Fire Response Time GWEMS avg. response time - percentile	To be established (2012) To be established (2012)	To be established (2013) To be established (2013)

Metric under consideration – Community Wellbeing

3.2 Be economically viable, resilient, diverse and attractive for business

Indicator	Measure	Current Performance	Target
Economic Vitality	Guelph Job Rate	69.6% (August, 2012)	>67% (2013)
	City of Guelph Credit Rating	AA+ (2012)	Maintain or exceed AA+ rating (2013)
	Number of building permits issued for commercial construction	288 (2011)	Annual growth
	Percentage of immigrants settling in Guelph of the total coming to Guelph-Wellington	82% (2010)	Annual growth

Metric under consideration – Image and Quality Recognition

Assumptions and Risk Variables included in Council report.

3.3 Strengthen citizen and stakeholder engagement and communications

Indicator	Measure	Current Performance	Target
Engagement and Communications	Level of advanced use of technology to meet the demands of an agile work force	Level 4 (Model for Workforce Maturity. Carnegie Melon University PCMM) (2012)	Level 3 by 2014
	Appropriate level of engagement objectives and commitments consistent with the IAP2* Spectrum of Engagement	To be established (2012)	100% in 2014
	Information sharing and participant input at community workshops	To be established (2012)	<25% of workshop time dedicated to providing information and 75% dedicated to participant input in 2014

Metric under consideration – Engagement Innovations

Assumptions and Risk Variables included in Council report.

* International Association for Public Participation

Next Steps

- Staff evaluation of metrics under consideration
- Annual reporting on progress achieved in relation to targets
- Information sharing and communications

COMMITTEE REPORT

CITY OF Guelph
Making a Difference

TO	**Governance Committee**
SERVICE AREA	Corporate Administration
DATE	October 9, 2012
SUBJECT	**Measuring Our Success: Corporate Strategic Plan Key Performance Indicators**
REPORT NUMBER	CAO-S-1201

SUMMARY

Purpose of Report: To recommend key performance indicators for tracking progress on the Council approved Corporate Strategic Plan Framework. Indicators will help to focus achievement efforts and provide a basis from which to monitor and report annually on achievements. Going forward, staff will continue to evaluate the most appropriate indicators to incorporate.

Committee Action: To receive the proposed Corporate Strategic Plan key performance indicators for review, comment and Council consideration.

RECOMMENDATION
THAT the report dated October 9, 2012 entitled "Measuring our Success: Corporate Strategic Plan Key Performance Indicators" be approved.

BACKGROUND
On May 22, 2012 the Governance Committee received the report entitled "Implementing the Corporate Strategic Plan Framework - 2012 Initiatives". In that report, staff committed to bringing forward indicators and targets to measure implementation progress.

The new framework is designed to bring about strategic transformation of the corporation. It provides a foundation for doing business differently and ensuring that the City is well positioned to meet current and emerging challenges and opportunities. It is within this context of driving enhanced value and benefit to the community that the key performance indicators are positioned.

Glossary of Terms:

Term	Definition	Section Cited
Key Performance Indicator	A measurement of the degree of progress towards goals and objectives; a critical success factor.	Summary, Background, Report, Next Steps
Measure	A measure is an agreed upon concept of quantification.	Summary, Background, Report
Target	A goal to be reached.	Summary, Background, Report
Dashboard	A visual display of performance information - graphs, charts, gauges, stop light colours.	Report
Scorecard	Strategic performance management tool to track, monitor and control progress.	Report

REPORT

I.   Measuring and Monitoring Progress

Key Performance Indicators (KPIs) help organizations understand how well they are performing in direct relation to their strategic goals and objectives and therefore help to monitor the execution of strategy. Indicators do not necessarily measure actions or outcomes directly or in totality but instead provide an 'indication' of levels of performance.

At the City of Guelph, key performance indicators that can be directly influenced by improvement efforts have been collaboratively identified for each of the nine strategic directions of the Corporate Strategic Plan Framework. The indicators now require Council review and approval. Additional indicator options have also been identified from a review of best practice and high performing organizations that staff will continue to consider for possible use.

The recommended key performance indicators are directly linked to identified strategic initiatives and will be at the heart of a continuously improving, monitored and comprehensive performance management system. On a regular basis, the Direct Report Leadership Team Subcommittee for the Corporate Strategic Plan will review progress and provide reports to the Executive Team for review and any recommended intervention to support progress as required.

II.   Proposed Key Performance Indicators

CSP Dashboard Overview

Metrics under consideration

Organizational Excellence		Innovation in Local Government	
Employee Engagement	🟥	Innovation Recognition	🟥
Creative Capacity	🟥	Enterprise Agility	🟥
Effective Work Processes	🟥	Service Satisfaction	🟩
Leadership Development		Service Affordability	🟩
Collaboration Results		Value Audit Focus	🟨
Integrated Management Systems		Performance and Results	🟨
		Strategic Partnering and Outreach	
		Service Responsiveness	
		Open Government	
City Building			
Quality of Life	🟩		
Safety	🟩		
Economic Vitality	🟩		
Engagement and Communications	🟨		
Community Wellbeing			
Image and Quality Recognition			
Engagement Innovations			

CSP Scorecard

ORGANIZATIONAL EXCELLENCE

1.1 Engage employees through excellence in leadership

	Indicator	Measure	Current Performance	Target	Assumptions/Risk Variables
	Employee Engagement	Level of employee engagement	41% (2012)	47% by 2016	Action plan development and implementation; stable environment
		Percentage of employees achieving above and beyond what is expected	36% Inspiration to excel (2012)	42% by 2016	Action plan development and implementation; stable environment

Metrics under consideration

	Leadership Development	Presence of opportunities through job rotation, mentoring and enrichment and programs.

Cultivating a corporate culture of engaged employees results in numerous benefits. Typically, engaged employees create a more productive, accountable working environment and improved levels of customer service. Statistically, they stay in their organization longer and are more committed to quality results and growth.

One additional indicator that will be evaluated for appropriateness is "Leadership Development" which calls for the availability of innovative opportunities for learning that are possible through such programs as job rotation and peer mentoring.

1.2 Develop collaborative work teams and apply whole systems thinking to build creative solutions

	Indicator	Measure	Current Performance	Target	Assumptions/Risk Variables
	Creative Capacity	Training and learning achieved vs. targeted	Development Phase (2012)	100% completion rate in 2014	Realignment of core competencies; Learning and training model developed and approved

	Indicator	Measure	Current Performance	Target	Assumptions/Risk Variables
		Number of task forces required vs. implemented	To be established (2012)	100% implementation rate in 2013	Identification and establishment of required task forces
		Success rate of task forces achieving actual vs. targeted whole systems solutions for application	To be established (2012)	100% achievement of stated objectives in 2014	Clarification of objectives and intended outcomes

Metrics under consideration

	Collaboration Results	Impact (speed/quality) of solutions generated and the extent to which a whole city/systems lens is applied to decision making across the corporation to ensure valued outcomes.

Current management research reveals significant consensus on the positive correlation between collaboration and innovation. Also, the greater the range of diversity (opinions, perspectives, experience) on collaborative work teams, the stronger the capacity for creative problem solving. Collaborative work teams require specific skill sets to be effective and will require targeted training. As we move forward, it will be valuable to understand the link between increased collaboration, whole systems thinking and how decision making is impacted in terms of speed and quality of results.

1.3 Build robust systems, structures and frameworks that are aligned to strategy

	Indicator	Measure	Current Performance	Target	Assumptions/Risk Variables
	Effective Work Processes	Employee perception of processes in place to enable high levels of productivity as measured through the engagement survey	35% (2012)	41% by 2016	Action plan development and implementation within agreed upon timeframes

CITY OF GUELPH COMMITTEE REPORT

Metrics under consideration

Integrated Management Systems	Degree of coherence and alignment between key management systems and processes to support overall objectives (budget, strategic plan, master plans, performance plans).	

In high performing organizations, effective work processes underpin the success of operations and positively impact productivity levels so it is important to focus improvement efforts in this area. It is also thought that "Integrated Management Systems" or degree of coherence and alignment between key management systems (i.e. budget, strategic planning, master planning) also directly supports achievement of organizational strategy. Within each system, there are a series of processes that require refinement and continuous improvement in order to best serve the needs of the organization and community. Measures with respect to how the processes are strengthened and the engagement of all users in the review and co-creation of processes will be explored.

INNOVATION IN LOCAL GOVERNMENT

2.1 Create an environment for government innovation to ensure fiscal and service sustainability

	Indicator	Measure	Current Performance	Target	Assumptions/Risk Variables
	Innovation Recognition	Number of employee generated innovations that create enhanced value for residents/stakeholders	To be established (2012)	Year over year increases	Development and implementation of a recognition approach for innovation
	Enterprise Agility	Targeted learning and training vs. actual for identified employees	Development Phase (2012)	100% targeted training completion rate by 2014	Determination of target group; realignment of core competencies; development of innovation learning program
		Number of innovation pilot teams implemented vs. targeted	To be established (2012)	100% implementation rate (2013)	Identification of pilot teams and project scope

	Indicator	Measure	Current Performance	Target	Assumptions/Risk Variables
		Achievement of key performance indicators in Joint Operational Review of Development Application Review process	To be established (2012)	100% achievement of key performance indicators within established timeframes	Strategic Implementation Framework to be developed within 3 to 4 months and setting of key performance indicators

Metrics under consideration

	Strategic Partnering and Outreach	Linkages and alliances with community service organizations, intergovernmental and cross sectoral entities to diversify revenue streams and improve service delivery and/or resource allocation. Number of new business, agency, and government partnerships established annually vs. targeted.

The current recognition program at the City focuses on our Core Values of Integrity, Excellence and Wellness. An identified behavior in 'Excellence' is innovation. An opportunity now exists to consider how innovation could be recognized differently across the corporation to continue supporting and encouraging improvement efforts that deliver high levels of community value.

"Enterprise Agility" calls for focusing available corporate learning resources on those skills that will build agility throughout the corporation such as new ideation techniques, integrative thinking, effective group decision making and 'lean' concepts as they apply to both operational and knowledge work. Agility or flexibility will enable enhanced levels of customer service, service responsiveness and help to build internal capacity to effectively address not only challenges but opportunities that arise consistent with the principles of 'doing business differently'.

One additional indicator for further assessment includes "Strategic Partnering and Outreach". Linkages and alliances with community service organizations, business and other levels of government can open possibilities to diversify revenue streams and improve service delivery and/or resource allocation.

2.2 Deliver better public service

	Indicator	Measure	Current Performance	Target	Assumptions/Risk Variables
	Service Satisfaction	Perceived level of satisfaction with services provided by the City	83% (2011)	Sustain or exceed 83% in 2015	

	Indicator	Measure	Current Performance	Target	Assumptions/Risk Variables
	Service Affordability	The ability to pay for municipal services: water + waste water + taxes as a % of average household income	5% (2011)	<5.5% annually	
	Value Audit Focus	Number of Internal Auditor led value for money audits and recommendation implementation rate	1 (2012)	100% implementation rate within approved timeframes	Internal Audit determination of annual target number of value for money audits

Metrics under consideration

	Service Responsiveness	The speed and quality of response with agreed upon standards and timeframes across the corporation; percentage of issues resolved consistent with confirmed corporate wide standards and/or agreed upon timeframes.

The City has queried the public on service satisfaction in 2008 and 2011. In both Citizen Surveys, high levels of satisfaction with customer service were reported. Despite this fact, there is always room for continuous improvement in *what* services are provided and *how* they are provided to ensure the continuation of relevant, accessible and affordable services. To that end, "Service Satisfaction" will serve as a key performance indicator along with "Service Affordability". Internally led audits and the implementation of resultant recommendations focused on ensuring value for tax dollars will also be tracked to ensure the delivery of better public service that is relevant and value driven. Measures of "Service Responsiveness,"- or the speed and quality of response times will be examined to ensure consistency with emerging corporate wide standards and practices.

2.3 Provide accountability, transparency and engagement

	Indicator	Measure	Current Performance	Target	Assumptions/Risk Variables
	Performance and Results	Targeted vs. actual implementation of approved audit recommendations focused on operations/ performance	To be established (2012)	100% implementation rate within confirmed timeframe	

Metrics under consideration

	Open Government	Practices, policies and procedures in place to further openness and transparency in the business of local government.

CITY OF GUELPH COMMITTEE REPORT

The City of Guelph is committed to conducting business in an open, transparent and accountable manner evident through a number of current practices, policies and procedures. Audits and the resultant recommendations that stem from them serve as an important tool for ensuring continuous improvement and the cost effective delivery of City services. For that reason, audit results implementation will be measured. A primary indicator under consideration focuses on "Open Government". As the City's intended Open Government Strategy and related initiatives are implemented to support increased information sharing and transparency, additional metrics will be developed and assessed.

CITY BUILDING

3.1 Ensure a well-designed, safe, appealing and sustainable city

	Indicator	Measure	Current Performance	Target	Assumptions/Risk Variables
	Quality of Life	Perception of quality of life in Guelph – percentage of residents citing positive change over preceding three years	22% (2011)	>25% in 2015	
	Safety	Guelph rating on the Annual Crime severity index as measured by Statistics Canada	47 (2012)	Maintain current standing; <all census metropolitan areas (2013)	
		Guelph Fire Response Time GWEMS avg. response time - percentile	To be established (2012) To be established (2012)	To be established (2013) To be established (2013)	

Metrics under consideration

	Community Wellbeing	Measures and indicators to understand and enhance Guelph's overall wellbeing. Relevant domains may include living standards, healthy populations, community vitality, environment, democratic engagement, time use, education, leisure and recreation.

"Quality of Life" has been measured in two Citizen Surveys delivering excellent base line information from which to chart improvements and changes over time. Quality of life is an indicator the City can influence through a variety of ways and means from strong live, work, play and learn connections to design standards that exceed

established targets. "Safety" can be measured through the City's crime severity index rating as well as response times for emergency situations. The City has an outstanding and well recognized record for safety. One additional indicator to be considered going forward includes "Community Wellbeing" which focuses on understanding wellbeing in the city and collaborative opportunities for measuring and supporting continued success across of broad spectrum of domains.

3.2 Be economically viable, resilient, diverse and attractive for business

	Indicator	Measure	Current Performance	Target	Assumptions/Risk Variables
	Economic Vitality	Guelph Job Rate	69.6% (August, 2012)	>67% 2013	Economic forces
		City of Guelph Credit Rating	AA+ (2012)	Maintain or exceed AA+ rating (2013)	
		Number of building permits issued for commercial construction	288 (2011)	Annual growth	Economic forces
		Percentage of immigrants settling in Guelph of the total coming to Guelph-Wellington	82% (2010)	Annual growth	

Metrics under consideration

	Image and Quality Recognition	Consistently meets or exceeds standards relative to other municipalities; high value/image/confidence ratings.

Current and future "Economic Vitality" continues to be a clear direction in Guelph evident through a number of measures. Guelph continues to lead in its job rate and was recently upgraded to AA+ rating by Standard & Poor's Ratings Services who perceive Guelph to have a stable economy, strong liquidity and a debt burden that is expected to moderate over the next several years. The number of building permits issued for commercial construction reached its highest level in 2011 since 2007 and despite a drop in new home construction, the number of building permits for home renovations continued to climb. A high credit rating directly contributes positively to the overall attractiveness of the city as a destination for current and new businesses as well as residents. In 2010, the Local Immigration Partnership Project Phase 1 report stated that the City of Guelph is the settlement destination for the majority of immigrants in Guelph Wellington. This bodes well for Guelph. In 2008 Citizenship and Immigration Canada reported that within a decade immigration is projected to be the sole source of Canada's labour force growth. By 2015 immigration will contribute to 67.5% of all the population growth and 100% of population growth after 2025. All of these as well as other factors contribute to

Guelph's excellent reputation. Measuring how to celebrate and market Guelph's success will be further considered.

3.3 Strengthen citizen and stakeholder engagement and communications

	Indicator	Measure	Current Performance	Target	Assumptions/Risk Variables
	Engagement and Communications	Level of advanced use of technology to meet the demands of an agile work force	Level 4 (Model for Workforce Maturity. Carnegie Melon University PCMM) (2012)	Level 3 by 2014	Funding requirements for the Corporate Technology Strategic Plan
		Appropriate level of engagement objectives and commitments consistent with the IAP2* Spectrum of Engagement	To be established (2012)	100% in 2014	Council approval of the Community Engagement Framework; Staff awareness and training
		Information sharing and participant input at community workshops	To be established (2012)	<25% of workshop time dedicated to providing information and 75% dedicated to participant input in 2014	Council approval of the Community Engagement Framework

* International Association for Public Participation

Metrics under consideration

	Engagement Innovations	New tools and techniques (i.e. crowd-sourcing) to test new ideas, concepts and approaches whether the goal is information sharing, consultation, involvement, collaboration or empowerment. This is directly linked with Open Government.

Efforts to strengthen "Engagement and Communications" can be implemented and will work towards ongoing enhancements in policy development and decision making. Emerging strategic directions in the Corporate Technology Strategic Plan as well as the Community Engagement Framework and Open Government Strategy currently under development will position the corporation well to seize available opportunities for advancement and innovations.

Next Steps

Over the coming months staff will continue to evaluate the most appropriate indicators to incorporate – those that will focus the corporation on the transformational goals and objectives of the Corporate Strategic Plan Framework.

Progress reporting in relation to the key performance indicators will take place on an annual basis. Communicating the indicators and related progress is part of the Council approved Communications Strategy for the Corporate Strategic Plan initiative.

CORPORATE STRATEGIC PLAN
This effort relates comprehensively to all the strategic directions. It serves to demonstrate the ongoing commitment to administrative excellence and accountability for results.

FINANCIAL IMPLICATIONS
Progress tracking mechanisms and reporting will be achieved within existing budgets.

DEPARTMENTAL CONSULTATION
The Executive Team and Direct Report Leadership Team members were consulted in the development of this report content.

COMMUNICATIONS
Progress reporting will take place every six months to Council, the community and employees. Results achieved will be a complement to additional communications tactics outlined in the Communications Strategy for the Corporate Strategic Plan Framework.

ATTACHMENTS
n/a

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COMMITTEE REPORT

CITY OF **Guelph**
Making a Difference

TO	**Governance Committee**
SERVICE AREA	CAO - Administration
DATE	October 9, 2012
SUBJECT	**Status Report - Service and Operational Reviews**
REPORT NUMBER	CAO-A-1201

SUMMARY

Purpose of Report:
The purpose of this report is to provide the Committee with an update on the status of Service and Operational Reviews.

Committee Action:
To receive report CAO-A-1201, Status Report – Service and Operational Reviews.

RECOMMENDATION
That the report dated October 9, 2012 entitled "Status Report – Service and Operational Reviews" be received for information.

BACKGROUND
On July 11, 2011 the Committee approved the recommendations contained in the report titled "Service Review - Executive Team Assessment – Phase 1". That report defined the process and principles of the service and operational reviews to be conducted. The objectives, scopes, and specific services selected for review were further defined in an October 11, 2011 report to the Committee.

An update communication was provided to Council members on July 27, 2012 by the Internal Auditor which outlined steps being taken to evaluate the work to date on the reviews.

The findings of these evaluations are detailed in this report.

REPORT
Since the appointment of the Internal Auditor in July 2012, a thorough assessment of the status of each service and operational review has been completed. The summary status of each review is detailed in **"Appendix A"** of this report.

In consultation with the Executive Team, staff reviewers, and management of the service areas under review, we have identified a number of issues and barriers that have adversely affected the results of the reviews. To summarize the evolution and experience gained in initiating these reviews, a "*Lessons Learned"* presentation is detailed in **"Appendix B"** of this report.

The staff review team assigned to the project has made significant effort to collect data, conduct meetings with the business unit employees, create templates, and refine their methodology. The work they have completed is appreciated and the data collected will be used to supplement future reviews of these areas.

Much has been learned about conducting internal reviews and the need for training and education for Council, staff and management. Public input through community engagement is a critical element for any customer-facing service and this will require budget allocation and planning in future. Financial analysis is also a key component of any review and can only be done using the data available in the existing system. As we move towards service-based budgeting we will realize the benefits of improved financial analysis.

It is recommended that future reviews be conducted using a more robust selection process and that standard audit methodology be applied to all elements of the review. This will provide more clarity with respect to objectives and scope and ensure consistency in the quality of work. A new proposed methodology for conducting all reviews-audits will be presented to the Committee for consideration in a separate report.

Current status and issues that have impeded the reviews are as follows:

<u>Service Reviews:</u>

Service Guelph:
Overall completion is 10%. Significant community engagement was required but no specific plan was established causing the review to falter in its objectives and approach.

Special Events Coordination:
Overall completion is 10%. The scope of this review overlaps with the Community Investment Strategy and Community Engagement Strategy work that is currently underway. We expect the findings from these initiatives will inform and address the special events function and help to define an improved process.

Legal Services:
Overall completion is 100%. This review has been completed and the final report will be presented to the Audit Committee on October 16, 2012.

Corporate Communications:

This review was deferred to 2013 as the department manager is currently on maternity leave.

Boulevard Maintenance:
Overall completion is 10%. The primary issue discovered during the course of this review is the lack of financial data to inform the analysis of the service. We do not currently have a "service based budget" system and the cost of this specific service is not tracked or reported. Further, significant community engagement was required but no specific plan was established and no specific budget was approved for this work.

Seasonal Recreation Facilities:
Overall completion is 30%. The primary issue discovered during the course of this review is the lack of financial data specific to this service area. This issue is replicated in several of the reviews as we do not currently have a "service based budget" system. It was also determined that significant public input would be required to validate any findings and recommendations and no specific plan was established or specific budget approved for this work.

Operational Reviews:

Business Systems Team:
Overall completion is 100%. The scope and objectives for this review were comprehensively addressed in the extensive review undertaken by Prior and Prior. Their final report, delivered in September 2012, has fully addressed all issues including the service delivery model as well as other issues facing the department. Their recommendations will become the leading priority for this business unit over the next few years.

Traffic Flow Management:
Overall completion is 0%. This service area involves highly specialized, technical skills and knowledge. Other than the staff within this department, City staff do not have the technical expertise required to conduct a valid review. It is recommended that a consulting firm specializing in this field be retained to conduct this review if required in future.

Procurement Process:
Overall completion is 20%. The objectives of this operational review were not clearly understood. There appears to be some duplication of a third-party review conducted in November 2010 by BMA Consultants. Further review is required to assess whether all of the recommendations made in the 2010 report have been effectively implemented. In addition, Internal Audit plans a compliance audit of this area as annual due diligence within the audit mandate.

Property Standards and Yard Maintenance By-law:

Overall completion is 30%. Significant community engagement is required in order to conduct a review of this service area but no specific plan was established and no specific budget was approved causing the review to falter in its objectives and approach. Further impeding the work is the lack of a "service-based budget" system. No analysis of the service efficiency or effectiveness can be undertaken without these two critical elements.

CORPORATE STRATEGIC PLAN
2.3 Ensure accountability, transparency and engagement.

FINANCIAL IMPLICATIONS
A budget expansion request will be presented to Council for the purpose of creating an operating line for future audits that may require third-party expertise and / or public consultation.

DEPARTMENTAL CONSULTATION/CONCURRENCE
The Executive Team, department heads and staff reviewers were consulted in the preparation of this report.
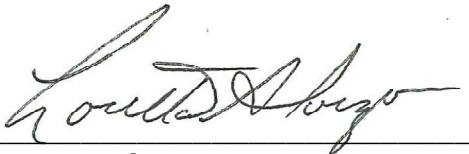
COMMUNICATIONS
N/A

ATTACHMENTS
Appendix A-Summary Status Report- Service and Operational Reviews
Appendix B – Lessons Learned Presentation

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APPENDIX "A" - GOVERNANCE COMMITTEE REPORT # CAO-A-1201

STATUS REPORT - SERVICE AND OPERATIONAL REVIEWS

October 9, 2012

		SERVICE GUELPH	SPECIAL EVENTS	BOULEVARD MAINT	SEASONAL REC. FACILITIES	BUSINESS INFO SYSTEMS	TRAFFIC FLOW MGMT.	PROCUREMENT	PROPERTY STANDARDS BY-LAW	LEGAL SERVICES
		EST. COMPLETE	EST. COMPLETE	EST. COMPLETE	EST. COMPLETE	EST. COMPLETE	EST. COMPLETE	EST. COMPLETE	EST. COMPLETE	EST. COMPLETE
1	**Project Workplan OVERALL COMPLETION %**	**10%**	**10%**	**10%**	**30%**	**100%**	**0%**	**20%**	**30%**	**100%**
2	Introductory meeting with management, discussion re work plan, timelines, deliverables	100%	100%	100%	100%	100%	0%	100%	100%	100%
3	Time tracking sheet for reviewer's hours	80%	0%	70%	50%	100%	0%	100%	50%	100%
4	Staff interviews - documented and summarized	0%	10%	20%	60%	100%	0%	25%	50%	100%
		0%								
5	Management interviews - documented and summarized	50%	10%	100%	60%	100%	0%	25%	50%	100%
6	Organization chart for the business unit	0%	0%	0%	0%	100%	0%	75%	0%	100%
7	KPIs documented, reviewed (if any are available in the dept.)	100%	0%	0%	90%	100%	0%	25%	0%	100%
8	Municipal benchmarks - Comparators	0%	0%	20%	50%	100%	0%	5%	0%	100%
9	Alternate service provider research	0%	0%	10%	40%	100%	0%	N/A	0%	100%
10	Financial analysis of budgets vs actuals for last 3 years	40%	0%	10%	80%	100%	0%	50%	0%	100%
11	Literature review of relevant historical reports and previous external reviews	0%	0%	100%	0%	100%	0%	75%	0%	100%
12	Community engagement - Public input	0%	0%	20%	0%	N/A	0%	N/A	0%	N/A
13	Creation of review report			0%						
	Summary of Findings, Observations	0%	0%		0%	100%	0%	0%	0%	100%
	Recommendations	0%	0%		0%	100%	0%	25%	0%	100%
	Conclusions	0%	0%		0%	100%	0%	25%	0%	100%
14	Preview draft report with Internal Auditor			0%	0%	100%	0%	0%	0%	100%
15	Preview draft report with management			0%	0%	100%	0%	0%	0%	100%
16	Prepare final report			0%	0%	100%	0%	0%	0%	100%
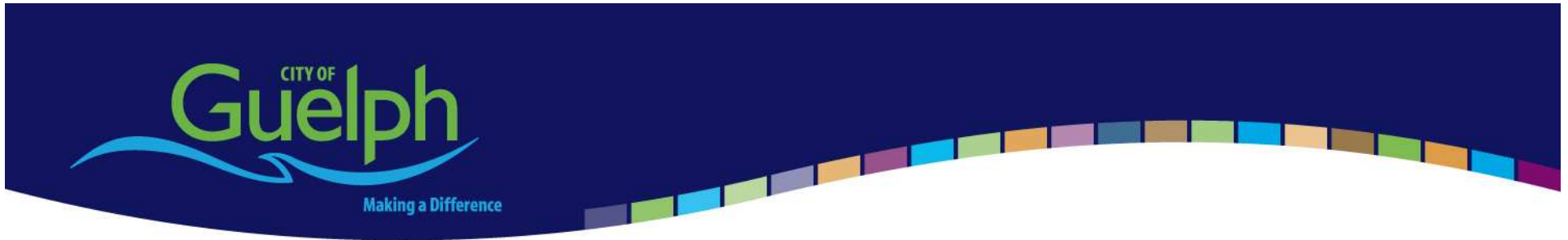
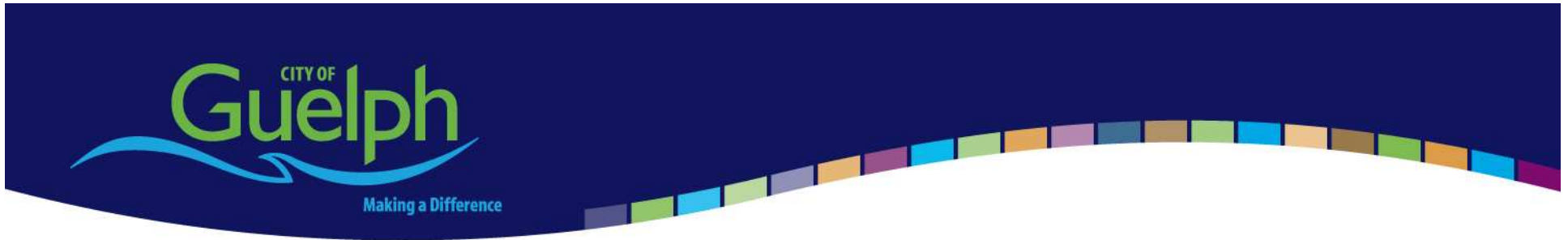# Service and Operational Reviews

Lessons Learned

"Anyone who has never made a mistake
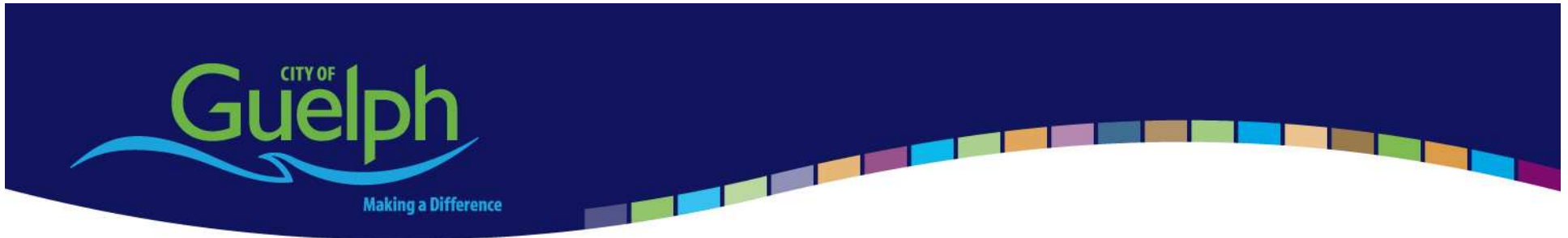has never tried anything new."
Albert Einstein

October 9,2012

WHAT HAVE WE LEARNED?

- Audit skills training and education are critical for Council, staff and management to understand the audit process.

- Setting realistic goals and synchronizing expectations is imperative to success.

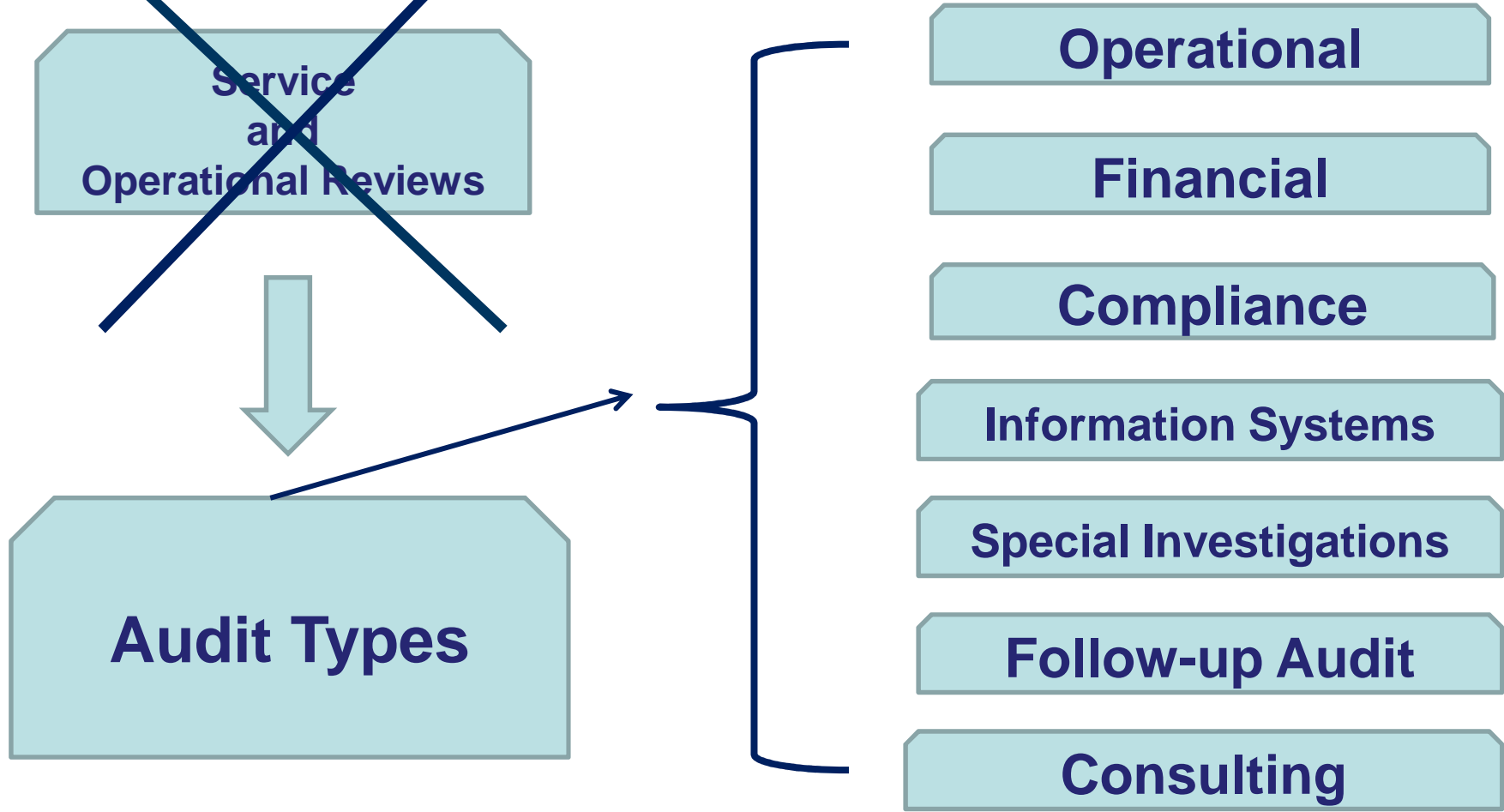- Financial analysis is only possible using the data available in existing system.

WHAT HAVE WE LEARNED? (Cont'd)

- **All reviews must meet GAAP – Generally Accepted Audit Practices.**

- **Reviews should be selected using a risk-based audit methodology considered best practice by the Institute of Internal Auditors (I.I.A.)**

- **Objectives and Scopes must be clearly defined and agreed upon by all stakeholders.**

WHAT HAVE WE LEARNED? (Cont'd)

- The term "Service Review" is NOT audit terminology and leads to misconceptions about types of audits that may be conducted by an auditor as well as expected results from the review.

- The term "Operational Review" IS an audit type and may include some or all of the elements of a "service review". It is a comprehensive audit sometimes referred to as "Performance" or "Managerial" audit.

Service and Operational Reviews

Audit Types

Operational

Financial

Compliance

Information Systems

Special Investigations

Follow-up Audit

Consulting

Types of Audits or Reviews that may be conducted by Internal Audit

WHAT HAVE WE LEARNED? (Cont'd)

- Staff can effectively review their business processes to identify improvements. This does NOT require an audit but may require targeted training/tools to build capacity.

- Using a more robust selection criteria for reviews will increase opportunities to find efficiencies or service delivery improvements.

- Highly specialized or technical services will require objective third-party experts for effective reviews.

- Public input – community engagement is essential for customer-facing services being reviewed.

Key Building Blocks for Internal Audit
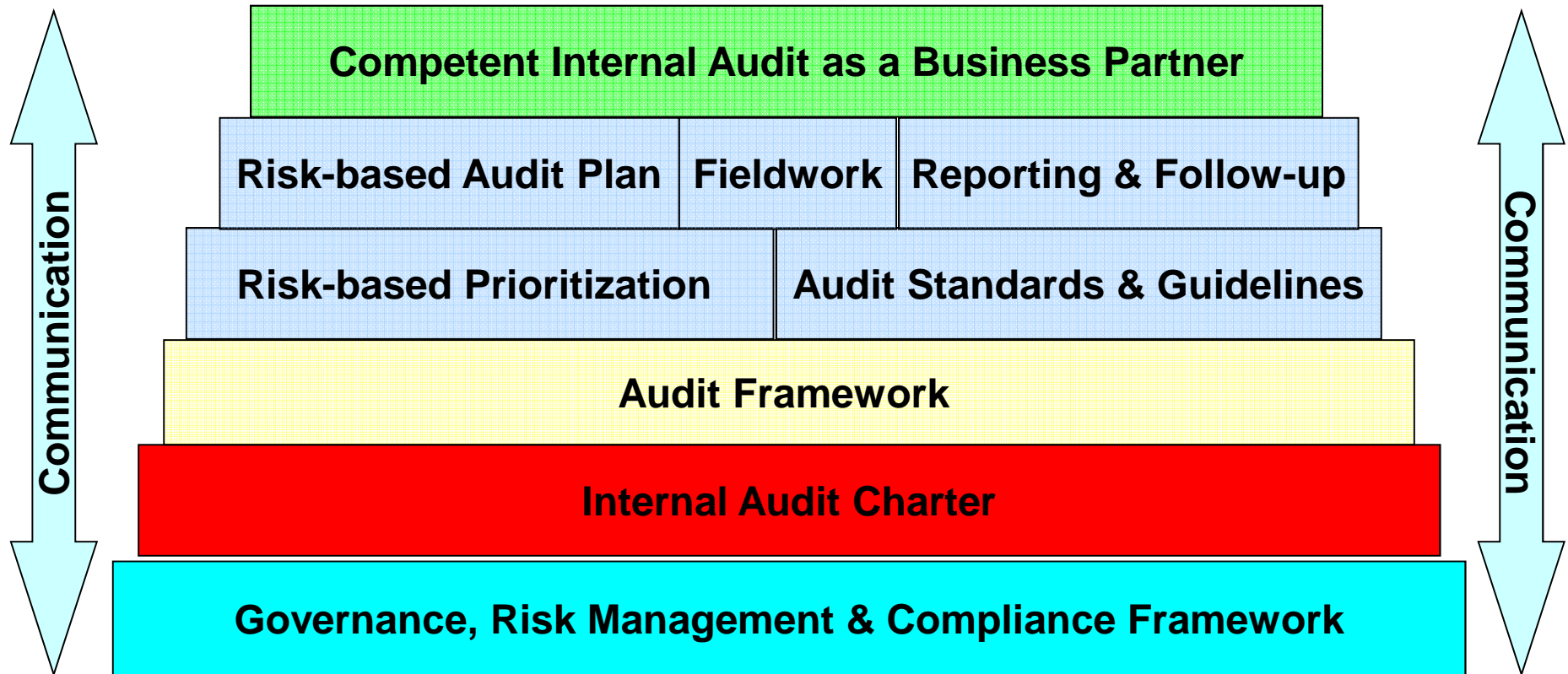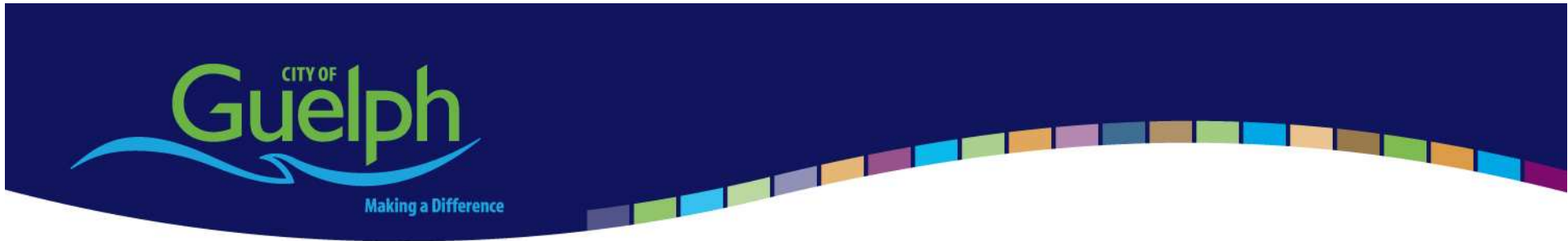
Communication (left vertical arrow)

Communication (right vertical arrow)

- Competent Internal Audit as a Business Partner
- Risk-based Audit Plan | Fieldwork | Reporting & Follow-up
- Risk-based Prioritization | Audit Standards & Guidelines
- Audit Framework
- Internal Audit Charter
- Governance, Risk Management & Compliance Framework

Questions?

COMMITTEE REPORT

CITY OF Guelph
Making a Difference

TO	**Governance Committee**
SERVICE AREA	CAO - Administration
DATE	October 9, 2012
SUBJECT	**Audit-Review – New Rating System and Methodology**
REPORT NUMBER	CAO-A-1202

SUMMARY

Purpose of Report:
To provide the Committee with a report outlining proposed changes to the selection process for future audits/reviews. The new methodology is proposed "in principle" with additional input and refinement from Council and management through a workshop on October 16, 2012 and meetings with management over the next several weeks.

Committee Action:
To recommend report CAO-A-1202 to Council approval.

RECOMMENDATION

That the proposed new rating system and methodology for future audits-reviews be approved in principle, and;

That staff be directed to prepare a complete list of ranked and rated services with recommendations for selected audits for 2013 by the end of November 2012, at which time they will be presented to Committee for approval**.**

BACKGROUND

In Committee Report CAO-A-1201, "Status Report – Service and Operational Reviews", staff defined a number of issues and barriers to the completion of selected service and operational reviews for 2012. Lessons learned from this pilot project were also presented in the report.

As part of the City's new Internal Audit function, a new approach to audits-reviews has been proposed applying best practice audit methodology and standards established by the Institute of Internal Auditors (I.I.A.), the governing body for the audit profession. The principles or framework for this approach are outlined in this report.

REPORT
In order to benefit from the lessons learned in phase one of the service and operational review project and to improve the process for all future reviews, staff have developed an new approach that builds on experience and addresses the issues identified in the previous review process.

Using a risk-based audit approach is considered a universal best practice and this methodology can be applied to all forms of internal audits or reviews. The concept of "service review" is essentially an audit and the terms "review" and "audit" are interchangeable. Some confusion arises when using the term "service review" as this is *not* an audit term but rather a phrase coined by government organizations to vaguely describe a process of service evaluation.   Further compounding the confusion is the fact that the term "operational review" is *actually* an official audit term used to describe a specific type of audit.
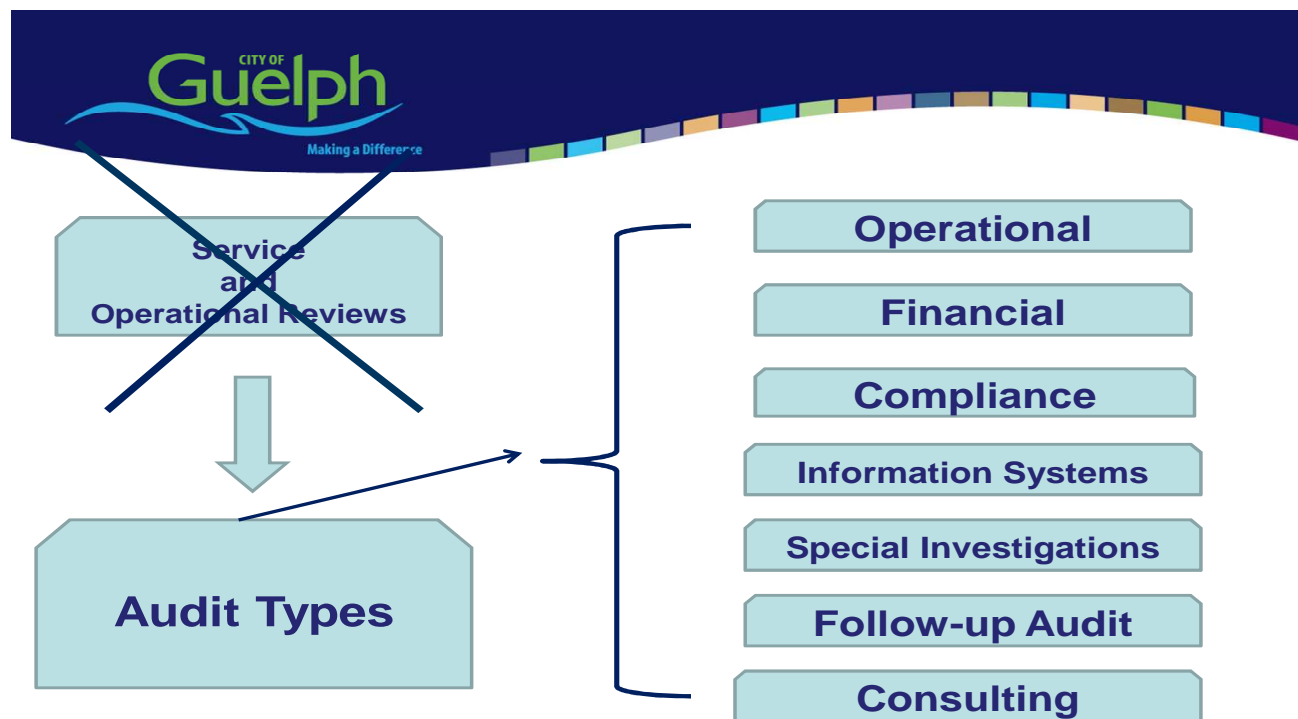
Types of Audits or Reviews that may be conducted by Internal Audit [5]

In keeping with the use of standard audit terminology, the following types of audits may be performed by an auditor:

Operational Audits – (a.k.a. Performance Audit, Value for Money Audit, Management Audit)
Operational audits objectively and systematically examine the City's programs, functions and activities. They may include analyses and recommendations with

respect to continuing or discontinuing the service. These audits include measuring and assessing the ongoing performance and operation of management while focusing on the business unit's key objectives. Operational audit recommendations encourage the use of best practices while promoting public accountability, efficiency, and effectiveness. The scope of these audits can include some or all of - efficiency, effectiveness, accountability relationships, protection of assets, compliance with legislative and corporate policies, culture, organizational structure, staffing levels, technology, or span of control evaluation. Operational audits are comprehensive, end-to-end audits requiring significant resources to complete.

Financial Audits
Financial audits include the review of financial processes. Cash control, accounts payable, accounts receivable, payroll, inventory controls, and investment compliance are all examples of areas that may be reviewed in a financial audit. Financial audits are designed to provide Council and departmental management with the assurance that adequate and effective financial controls are in place in order to safeguard City assets. Financial audits may be performed by the Internal Auditor in conjunction with the External Auditors. Control reviews or audits are also within the scope of financial audits.

Compliance Audits
Compliance audits are smaller in scope than operational audits and are designed to review and evaluate compliance with established policies and procedures as well as any relevant statutory and/or legal requirements.

Information System Audits
Information System audits provide assurance that the City's information technology infrastructure and computer applications contain adequate controls and security to safeguard assets and mitigate risk. These audits provide assessments on overall security, controls, business continuity, and disaster recovery plans after system implementation. Control advice may also be provided during major system implementations to ensure controls and security issues are addressed and considered. Post implementation audits may also be conducted by the auditor once a new computer application has migrated to production.

Fraud, Theft, or Special Investigations (a.k.a. forensic accounting or auditing)
Fraud Investigations are audits that usually involve an examination of specific components of an operation or a program. These audits may result from requests from Audit Committee, Council, CAO, Managers or from information received from employees, vendors or citizens. Other types of investigations may include reports of inappropriate conduct or other activities by a City employee.

Follow-up Audits
Standard 2500 of the Professional Practice of Internal Auditing states that one of the primary responsibilities of professional auditors is to ensure that proposed management action plans have been effectively implemented. Thus, the primary purpose of a follow-up audit is to provide assurance that the recommendations made in previous audit reports have been addressed and implemented.

Consulting Services

Consulting services are advisory in nature, and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the client and are intended to add value by improving governance, risk management, and control processes. Some examples include business process improvement, process mapping, advice and counsel, facilitation and training.

In this context, ongoing reviews of City services, programs, and business activities are all considered "Operational Audits" wherein the scope of the review can be limited to a narrow focus or expanded to include all elements of the business unit.

The process of selecting *which services, programs, or activities to review* is most effective when viewed through a "risk-based" audit methodology.

Staff propose to implement a rating system which would prioritize audits using a scoring system based on the criteria illustrated in the following chart:

Audit Prioritization Model

Factor	Suggested Weight	Range of Scores					
Known risks	40 - 60%	Rating	1	2	3	4	5
		Total risk score	0-4	5-8	9-12	13-16	17-20
Budget	20 - 40%	Rating	1	2	3	4	5
		Budget	0 - 50K	50K - 250K	250 K - 500 K	500K - 1M	1M+
Date of last review	10 - 20%	Rating	1	2	3	4	5
		Date of last review	< 1 year	1-3 years	3-5 years	5+ years	Never
Potential Savings Opportunities	+ / -5%	Rating	0				5

The rationale for this scoring system is as follows:

<u>Known Risks</u>: The primary factor in this model should be the degree of risk that is inherent in the service or business activity. This insures that priority is not placed on low risk services and that there is adequate oversight of high risk activities.

<u>Budget</u>: The amount of budget expended on the service should be a heavily weighted factor to insure that those services which have the greatest impact on the organization's financial condition are given higher priority.

<u>Date of last review</u>: This insures we are not repeating reviews that were done recently. It carries less scoring weight but still ensures that we do not overlook high risk services that warrant more frequent reviews.

<u>Potential Savings Opportunities</u>: This is an optional factor as well. It acknowledges that some business units have greater potential savings opportunities and prioritizes them for review.

Once all services are rated using this system, they can be prioritized by their total score. Staff will then recommend the list of business units, programs or activities that should be reviewed for the next year as well as suggesting the type of audit and scope that would be most appropriate for each area.

It is important to note that the services selected in 2012 for review may not be identified as priorities using the new rating system and therefore, may not be recommended for review in 2013.

Should the proposed rating system be approved, next steps will be as follows:

1. With management input, determine level of business unit categorization (Auditable Entities). Staff recommends taking a higher level approach to service definition that links to the current budget system and provides for relevant financial analysis. A list of "sub-services" could be developed under these broader categories to assist with review selection within a business unit. An audit may be conducted on any service or sub-service and is not precluded by using broader categories of auditable entities.
   <u>To be completed by October 23, 2012</u>.

2. Present "Auditable Entities" categorization to Executive Team for final approval.
   <u>To be completed by October 31, 2012</u>

3. Gather data related to each service – budget, risk score, date of last review, potential savings opportunities.
   <u>To be completed by November 15, 2012.</u>

4. Synthesize data and create draft ratings and prioritization list of ranked entities for Committee approval. Indicate what type of audit-review might be appropriate and whether external consultants will be required for specialized or highly technical services.
   To be completed by November 15, 2012.

5. Recommend, with Council and management input, the number of reviews that will be completed in the remaining term of Council, overlaying these with the capacity of internal audit, available staff support and options for outsourcing specific reviews.
   To be completed by November 30, 2012.

6. Draft multi-year work plan, to be revisited and assessed annually for modifications or shifting priorities and present to Committee for approval.
   To be completed by December 15, 2012.

As further information and to provide the Committee of an example of how services are currently grouped by Finance in the existing Budget system, **Appendix "A"** is the proposed categorization of "Auditable Entities" taken directly from the budget system. Refining the criteria for this proposed rating system such as factors and weighting will be further informed through discussions with management of each business area as well as discussion at a Council Training Session on October 16th, 2012.

CORPORATE STRATEGIC PLAN
Organizational Excellence – 1.3 Build robust structures and frameworks aligned to strategy.
Innovation in Local Government - 2.3 Ensure accountability, transparency and engagement.

FINANCIAL IMPLICATIONS
A budget expansion request will be presented to Council for the purpose of creating an operating line for future audits that may require third-party expertise and / or public consultation.
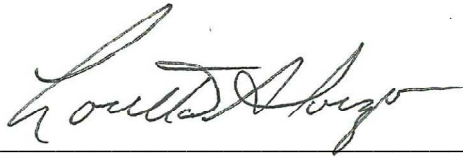
DEPARTMENTAL CONSULTATION
The Executive Team has been consulted in the development of this report.

COMMUNICATIONS
Approved changes will require full communication plan through Corporate Communications to reach all employees.

ATTACHMENTS
Appendix "A" –List of Proposed "Auditable Entities" Categorized by Budget System

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Appendix "A"
Governance Committee Report # CAO-A-1202
Proposed List of "AUDITABLE ENTITIES" or "Audit Universe"

		2012 BUDGET
1	CAO Administration	564,390
2	11 Mayor & Council	865,958
3	Strategic Planning & Corporate Initiatives	189,940
4	Operations and Transit Administration	405,540
5	Transit Administration	642,940
6	Planning & Scheduling	280,290
7	Transit Operations	17,144,470
8	Transit Facility	780,850
9	Transit Terminal	469,600
10	Conventional Transit Revenue	-10,149,200
11	Mobility - Transportation	966,550
12	Mobility - Prov. Subsidized Ops.	76,810
13	Mobility - Dispatching	146,550
14	Mobility Transit Revenue	-72,400
15	By-Law Compliance and Security	1,333,232
16	Public Works Administration	3,014,544
17	Roads & Right of Way	6,593,858
18	Traffic	2,338,560
19	Parking	(885,736)
20	Fleet Maintenance	27,100
21	Forestry Services	1,000,350
22	Fire	20,828,670
23	Land Ambulance	3,855,713
24	Planning, Building, Engineering, Environment Administration	344,000
25	Planning	1,749,860
26	Building	955,622
27	Engineering	819,965
28	Solid Waste Admin & Program Devt	(4,870,529)
29	Residential Waste Collection	4,314,154
30	Plant Operations & Maintenance	5,108,350
31	Transfer Station Operations	249,789
32	Haul / Dispose Contract	3,129,700
33	H.H.W. Operations	(49,440)
34	H.H.W. Building Maintenance	-
35	W-D Public Drop Off Operations	1,661,100
36	W-D Scale Operation / Maintenance	207,400

37	W-D Grounds Maintenance	48,900
38	W-D Winter Operations	6,500
39	CSS Administration	972,357
40	Victoria Road Rec Centre	716,519
41	Centennial	298,528
42	Exhibition	(9,542)
43	West End Community Centre	694,330
44	Evergreen Community Centre	386,988
45	Neighbourhood Groups	305,100
46	Local Immagration Partnership	900
47	Disability Services	112,320
48	Program Quality and Evaluation	91,320
49	Program Development and Admin	-
50	Youth Services	84,830
51	Inclusion Services	136,276
52	Community Development	247,815
53	Affordable Bus Pass	243,350
54	Youth Shelter	482,700
55	River Run Centre	494,106
56	Museum	822,677
57	Cultural Development	99,630
58	Market Square Programs	69,800
59	Sleeman Centre	239,443
60	Tourism	372,128
61	Corporate Building Maintenance	2,677,419
62	Business Services	1,287,440
63	Parks	4,547,654
64	HR Administration	2,202,513
65	Human Resources	773,490
66	Legal Services	843,580
67	Information Technology	3,550,325
68	Clerk Services	744,339
69	Corporate Communications	546,713
70	Library	7,781,370
71	Guelph Municipal Holding Company	-
72	General Administration	293,700
73	Insurance	383,201
74	Taxes - Written Off	1,012,500
75	Property Tax Rebates	681,000
76	Property Assessment (MPAC)	1,605,450
77	School Safety Patrol - Administration	75,800
78	Emergency	248,300

79	General Revenues	(190,996,044)
80	Grants	1,183,260
81	Finance Administration	317,120
82	Financial Services	344,755
83	Taxation and Revenue	555,869
84	Tax Certificate Revenue	-
85	Budget Services Division	1,008,185
86	Purchasing / Procurement	332,774
87	Risk Management	101,400
88	Downtown Renewal	474,224
89	Community Energy	333,902
90	Economic Development	783,602
91	Water	-
92	Wastewater	-
93	Court Services	-

COMMITTEE REPORT

TO	**Governance Committee**
SERVICE AREA	CAO - Administration
DATE	October 9, 2012
SUBJECT	**Enterprise Risk Management Framework**
REPORT NUMBER	CAO-A-1203

SUMMARY

Purpose of Report:
To present an Enterprise Risk Management (ERM) Framework for implementation across the Corporation. The ERM strategy will be implemented in two phases over a period of two years.
Phase 1 will be Corporate-level risk management and Phase 2 will expand to project risk management.

Committee Action:
To recommend Council approval of the ERM Framework.

RECOMMENDATION
That the proposed Enterprise Risk Management framework be approved for implementation.

BACKGROUND
The City of Guelph is committed to identifying, assessing, and mitigating risks to ensure that corporate objectives are achieved. To this end, the Corporation will maintain a long-term, robust Enterprise Risk Management (ERM) program based on an established framework. The overall risk strategy is part of an Enterprise Risk Management implementation which will be introduced in phases throughout the Corporation over the next two years. Phase 1 will be Corporate-level risk management and Phase 2 will expand to project risk management.

Implementation of an ERM program has been identified by Council and Management as a priority for 2012-2013. The City's Internal Auditor has been directed to develop and implement an ERM program as part of the mandate for this function.

REPORT

Enterprise risk management (ERM) is a method or process used by an organization to manage risks and seize opportunities related to the achievement of their objectives. ERM provides a framework for risk management, which typically involves identifying particular risks and opportunities, assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring progress. By identifying and proactively addressing risks and opportunities the City of Guelph will protect the interests of the public and create value for all stakeholders.

Risk management is an integral part of management across the Corporation. It forms part of strategic planning, business planning and project approval procedures. In addition, ERM assists in decision-making processes that will allocate resources to areas of highest risk. Identifying and managing risk is everyone's responsibility and is one component of good corporate governance.

Enterprise Risk Management is part of the Internal Audit mandate which is consistent with best practice and audit standards.

Staff have adopted a risk rating matrix that quantifies the impact and likelihood criteria and assigns a numerical value to the resulting score.

The ERM Framework consists of the following components:

1. Risk Categories
2. Risk Matrix – Impact/Likelihood Scale
3. Risk Impact Criteria

Risk Categories

- *Service delivery* – Risk of not meeting customer expectations

- *Employees* – Risk that employees, contractors or other people at the City will be negatively impacted by a policy, program, process or project including physical harm

- *Public* – Risk that the policy, program or action will have a negative impact on the citizens of Guelph

- *Physical Environment* – Risk that natural capital will be damaged

- *Reputation* – Risk associated with anything that can damage the reputation of the City or undermine confidence in the City of Guelph

- *Financial –* Risk related to decisions about assets, liabilities, income and expenses including asset management, capital and operational funding, economic development, theft or fraud

- *Regulatory –* Risk related to the consequences of non-compliance with laws, regulations, policies or other rules

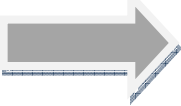**Risk Matrix – Impact/Likelihood Scale:**

Impact is quantified as:

Scale 4:   Catastrophic
Scale 3:   Major
Scale 2:   Moderate
Scale 1:   Minor

Likelihood is quantified as:

Scale 5:   Almost Certain
Scale 4:   Likely
Scale 3:   Somewhat likely
Scale 2:   Unlikely
Scale 1:   Rare

When impact and likelihood are assessed, a risk rating is calculated by multiplying the impact scale times the likelihood scale.

The current City of Guelph **Risk Matrix** below assigns colours to the resulting score based on the City's risk tolerance as set out below.

Impact Scale					
4 Catastrophic	4	8	12	16	20
3 Major	3	6	9	12	15
2 Moderate	2	4	6	8	10
1 Minor	1	2	3	4	5
Likelihood Scale	1	2	3	4	5
	Rare	Unlikely	Somewhat Likely	Likely	Almost Certain

Risk Tolerance is defined as the level of risk the City is willing to accept in pursuit of its objectives. This can be measured qualitatively with categories such as major, moderate, or minor. The level of risk acceptable is directly related to the nature and scope of the project or work.

To allow us to quantify the degree of risk inherent in any activity, we have developed a **"Risk Matrix Impact Criteria"** in **Appendix "A"** of this report. The Matrix provides quantitative examples of impact criteria for each of the risk

categories and is used as a guideline to measure impacts. This matrix will be further refined through staff input and will be finalized before implementation begins.

The proposed program sets out the following guidelines for the Corporation's risk tolerance level.

- As a general guideline any identified risk rated as a ten (10) or higher *and* in the red grid of the matrix <u>must</u> have a mitigation plan and the ongoing status will be monitored in a risk register.

- A risk rating falling within the yellow grid of the matrix will require an action but resolution may be deferred until more urgent risks have been dealt with.

- A risk rating falling within the green grid of the matrix should be noted but no action plan is required.

A **Corporate Risk Register** is maintained by the Internal Auditor identifying risks that could potentially affect the entire Corporation. It should include risks affecting all high-level objectives in the City's strategic plan. The risk register will be reviewed with the Executive Team on a monthly basis.

The ERM program is intended to formalize our current risk management practices and provide the foundation for increased risk awareness throughout the Corporation. We propose to expand our Enterprise Risk Management initiative over the next two years.

The Internal Auditor will deliver risk management workshops for staff in areas where risk assessments (corporate, project or operations based) will be most relevant to increase risk awareness and enhance risk management skill levels for staff. This is planned from November 2012 through December 2013.

CORPORATE STRATEGIC PLAN
Innovation in Local Government by ensuring accountability, transparency and engagement.

FINANCIAL IMPLICATIONS
N/A

DEPARTMENTAL CONSULTATION
All Executive Team members have been consulted in the development of this framework.

COMMUNICATIONS
Corporate Communications will be consulted to develop a communication plan to introduce the program to all staff.

ATTACHMENTS

APPENDIX "A" – Risk Matrix Impact Criteria
APPENDIX "B" – Risk Management Presentation

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CITY OF GUELPH - RISK IMPACT CRITERIA

| Scale	Risk Category / Impact Scale	Service Delivery	Employees	Public	Physical Environment	Reputation	Financial	Regulatory
Scale	Impact Scale	*Risk of not meeting customer expectations*	*Risk that employees, contractors or other people at the City will be negatively impacted by a policy, program, process or project including physical harm.*	*Risk that the policy program or action has a negative result on specified target groups of citizens in Guelph.*	*Risk that natural capital will be damaged.*	*Risk associated with anything that can damage the reputation of the City or undermine public confidence in it.*	*Risk related to decisions about assets, liabilities, income, expenses including asset management, capital and operational funding, economic development, theft and fraud*	*Risk related to the consequences of non-compliance with laws, regulations, policies, or other rules.*
1	Minor	- Some business unit goals not met (75 - 90% achieved) - Project scope: scope change is barely noticeable >Project deadlines overrun >5%<25%.	- Minor reportable employee injury - Short term additional effort required by existing staff to fix the situation.	- Minor decrease in social programs (<5%)	- Potential to cause non-lasting damage to environmental assets	- Small amount of negative medial coverage or complaints to the City - 1 Negative media story from 1 - 2 local media outlets.	- Loss of replaceable asset - Project cost >5<10% overrun	- Isolated non-compliance to policy or rules by few employees
2	Moderate	- Underachievement of business unit goals (50-7% achieved) - Unable to perform non-essential services - Disclosure of non-confidential but embarrassing information - Project scope: moderate changes required - Project deadlines overrun >25%<50%.	- Employee injury, non-life-threatening - Significant increase in number of errors (>10%) - Increase in the number of union grievances (>5%) - Short term extra resources required to fix the situation	- Non-life Threatening injury to members of the public because of City action/inaction - Loss of privacy, safety or quiet in neighborhood - Moderate decrease in social programs (<20%)	- Potential to cause short term repairable environmental damage impacting a small area	- Complaints elevated to Director / GM level - Moderate media coverage or editorial comment - 3 - 4 negative media stories and/or editorials spanning multiple days, from 2+ local media outlets	- Some decreased usefulness of infrastructure - Fines <$100K - Reduced revenues for some businesses - Some reduced economic development - Project cost >10<50% overrun	- 1st warning from regulatory bodies - Internal compliance reporting deficiencies in one division
3	Major	- Underachievement of business unit goals (<50% achieved) - Unable to perform non-essential service - Disclosure of non-confidential but embarrassing information - Project scope: major changes required - Project deadlines overrun >50% <75%.	- Employee injury, critical No improvement in employee satisfaction Increase in the number union grievances (>10%) - Short term additional resources required to fix the situation.	- Critical injury to member of the public because of City action/inaction - Major decrease in social programs (<50%).	- Potential to cause short term repairable environmental damage impacting a large area	- Complaints elevated to CAO/City Council level - Public outcry for removal of employee - Significant negative media coverage or editorial comment - 5+ negative media stories and / or editorials spanning multiple days, from local media - Negative media coverage on provincial or national stage	- Significantly decreased usefulness of infrastructure - Fines < $1M - Inefficient processes Reduced revenue for many businesses Significantly reduced economic development - Project cost >50<100% overrun	- 2nd warning from regulatory bodies - Internal compliance reporting deficiencies in multiple divisions or depts.
4	Catastrophic	- Unable to perform one or more essential services and no alternatives exist. - Unrecoverable loss of information from critical systems - Unrecoverable facility loss - External exposure of critical confidential information - Project end product is essentially useless - Project cancellation - Project deadlines overrun > 75%.	- Death in the workplace - Significant loss of employee knowledge - External exposure of confidential employee information - Strike - No amount of existing or additional resources can address the event.	- Death of member of the public due to City actions or inactions - Cancellation of a program that supports equitable access, social justice, quality of life and no alternatives are available	- Potential to cause long term environmental damage with lasting consequences. - Consequences of not including environmental considerations has potential to create long environmental damage.	- Public/media outcry for change in administration or Council. - Public or senior officials criminally charged or convicted - Fraud > $500,000 - Integrity breach resulting in decreased trust in City Council or Administration - Recurring negative media coverage on national and/or international stage	- Uninsured loss > $10M - Insured loss > $10M - Fines or loss > $10M - File for bankruptcy - Failure to maintain financial capacity to support current demands. - Decrease in Guelph economic condition greater than a 20% decrease in assessment base - Project cost > 100% overrun	- Legal judgment against the City - Loss of license to operate (CVOR, other) - Imprisonment of staff - Other sanctions imposed by regulatory bodies

LIKELIHOOD SCALE

Scale	Rating	Description	Numeric Probability
5	Almost Certain	Extreme likely to occur at the City of Guelph	> 90%
4	Likely	Occurs frequently in municipal environments and has occurred or is likely to occur at the City of Guelph	50 - 90%
3	Somewhat likely	Occurs periodically in municipal environments and could happen at the City of Guelph	20 - 50%
2	Unlikely	Occurs infrequently in municipal environments but is not impossible	5 - 20%
1	Rare	No material likelihood; not considered further in risk assessment	< 5%
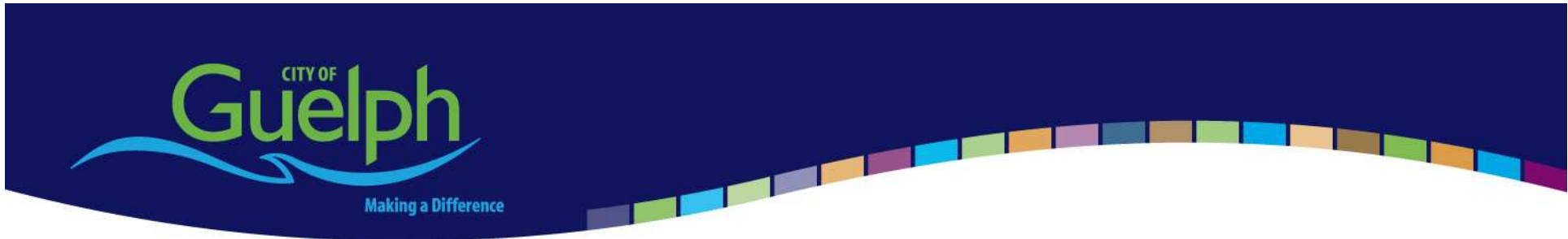
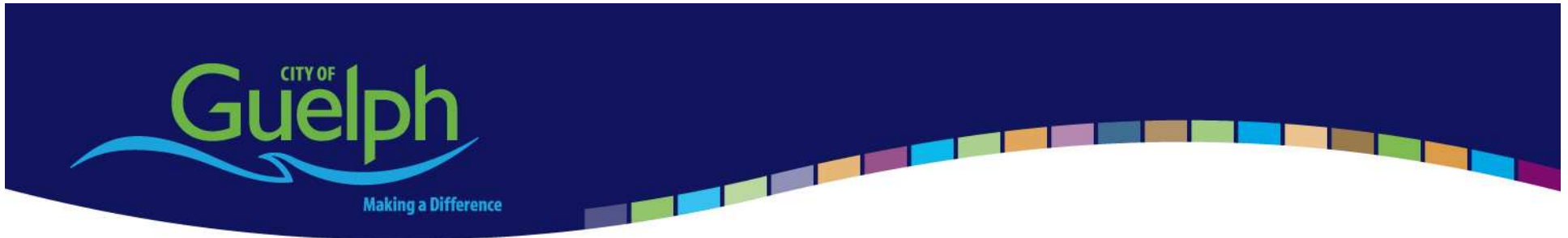# Enterprise Risk Management Framework
October 9, 2012

**Appendix "B" – Report CAO-A-1203**

1
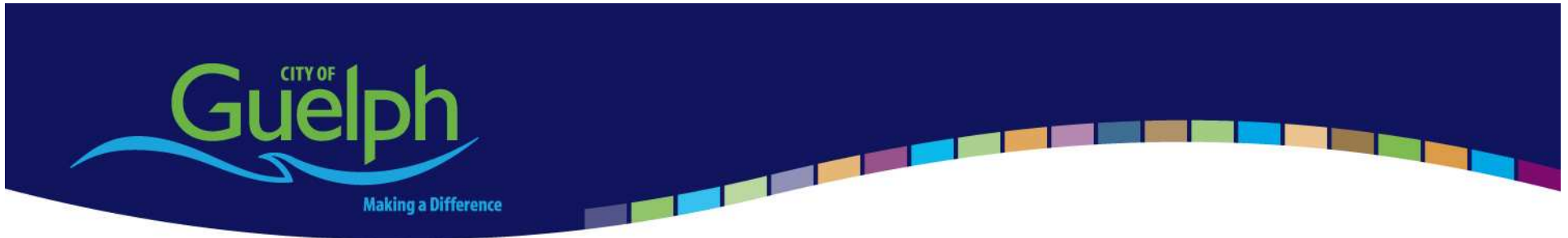
What is Enterprise Risk Management? (ERM)

Enterprise risk management (ERM) is a method or process used by an organization to manage risks and seize opportunities related to the achievement of their objectives. ERM provides a framework for risk management, which typically involves identifying specific risks and opportunities, assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring progress. By identifying and proactively addressing risks and opportunities the City of Guelph will protect the interests of the public and create value for all stakeholders.

# What is the purpose of ERM?

- Provide guidance to advance the use of a more corporate and systematic approach to risk management

- Contribute to building a risk-smart workforce and environment that allows for responsible risk-taking while ensuring legitimate precautions are taken to protect the Corporation, ensure due diligence and maintain the public trust

- Establish a set of risk management practices that departments can adopt to their specific circumstances or mandate
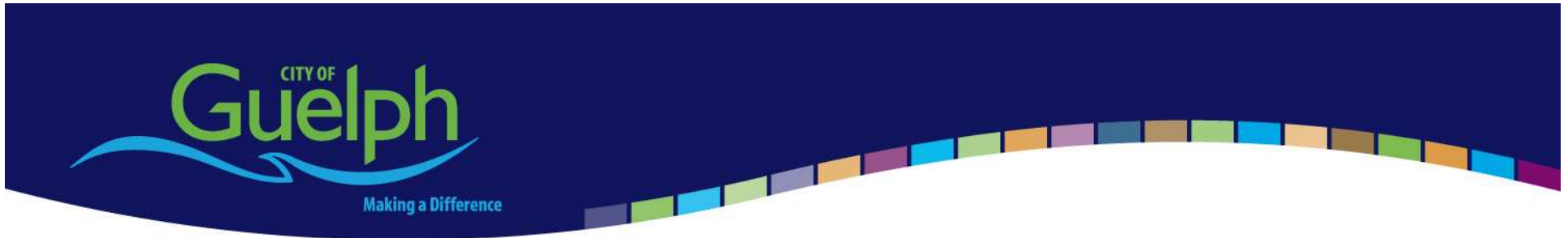
What is the ERM Framework?

The ERM Framework consists of the following components:

1. Risk categories

2. Risk Matrix – Impact/Likelihood Scale

3. Risk Impact Criteria
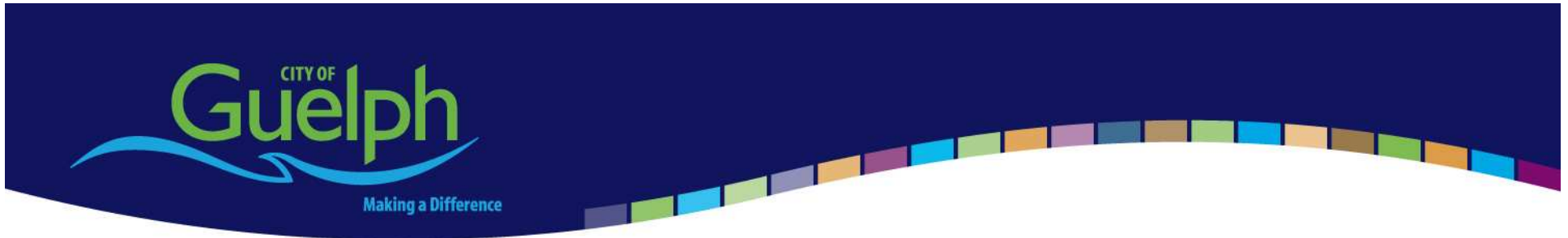
Categories of Risk

Service delivery – Risk of not meeting customer expectations

Employees – Risk that employees, contractors or other people at the corporation will be negatively impacted by a policy, program, process or project including physical harm

Public – Risk that the policy, program or action will have a negative impact on citizens

Physical Environment – Risk that natural capital will be damaged

Reputation – Risk associated with anything that can damage the reputation of the corporation

Financial – Risk related to decisions about assets, liabilities, income and expenses including asset management, capital and operational funding, economic development, theft or fraud

Regulatory – Risk related to the consequences of non-compliance with laws, regulations, policies or other rules
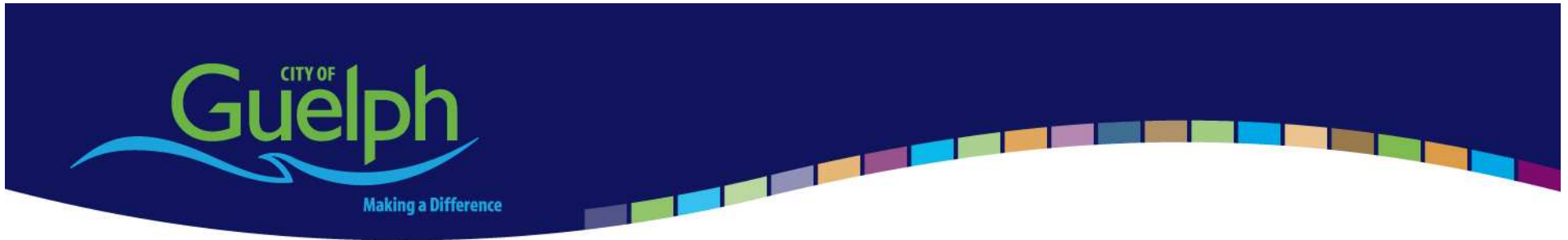
Risk Matrix – Impact/Likelihood Scale
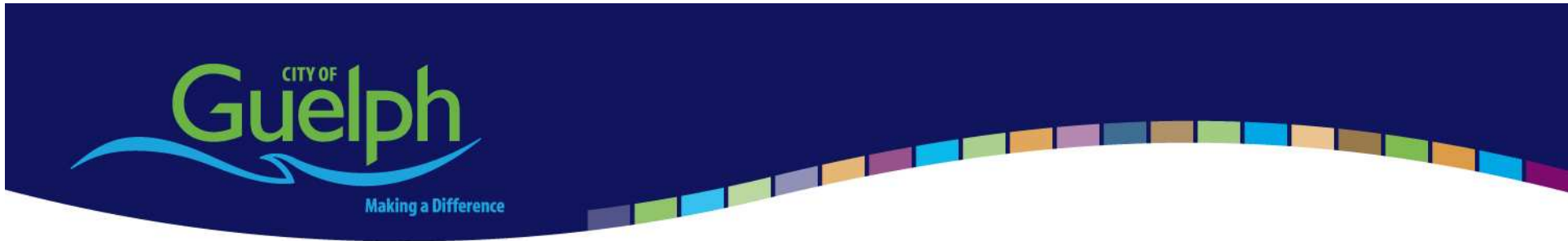
Impact is quantified as:

Scale 4:   Catastrophic
Scale 3:   Major
Scale 2:   Moderate
Scale 1:   Minor

Likelihood is quantified as:

Scale 5: Almost Certain
Scale 4: Likely
Scale 3: Somewhat likely
Scale 2: Unlikely
Scale 1: Rare

When impact and likelihood are assessed, a risk rating is calculated by multiplying the impact scale X the likelihood scale.

For example: A specific risk has been assessed as having an **impact** described as "**Major**", **with a scale of 3**. **The likelihood** of this risk occurring has been assessed as "**somewhat likely**", **with a scale of 3**. The risk rating total is impact multiplied by likelihood, or a **total score of 9.**

Risk Matrix – Impact/Likelihood Scale

When the Category, Impact, and Likelihood are presented in a chart format, they create a chart referred to as the **"Risk Matrix".**

The risk matrix assigns colours to the resulting score based on the corporation's risk tolerance as set out below

Impact					
4 Catastrophic	4	8	12	16	20
3 Major	3	6	9	12	15
2 Moderate	2	4	6	8	10
1 Minor	1	2	3	4	5
Likelihood	1 Rare	2 Unlikely	3 Somewhat Likely	4 Likely	5 Almost Certain

Sample Risk Impact Criteria

Scale	Impact	Service Delivery	Employees
4	**Catastrophic**	Unable to perform one or more essential services and no alternatives exist. Unrecoverable loss of information from critical systems Unrecoverable facility loss External exposure of critical confidential information Project end product is essentially useless Project cancellation Project deadlines overrun > 75%.	Death in the workplace Significant loss of employee knowledge External exposure of confidential employee information Strike
3	**Major**	Underachievement of business unit goals (<50% achieved) Unable to perform non-essential service Disclosure of non-confidential but embarrassing information Project scope: major changes required Project deadlines overrun >50% <75%.	Employee injury, critical No improvement in employee satisfaction Increase in the number union grievances (>10%) -

8

Sample Risk Register

Risk Factor (Issue and Risk)	Initial Impact	Likelihood	Overall Rating
Risk that a lack of a detailed budget baseline and formal monitoring process may result in cost overruns through unauthorized expenditures and/or scope creep.	3.00	3.00	9.00
Risk that landowners are unwilling to sell.	3.00	4.00	12.00
Risk that stakeholders are not involved in the design which may result in the project objectives not being met and criticism will be a political challenge	1.00	4.00	4.00
Risk that project budget estimates have been underestimated leading to either a decrease in scope or requests for more funding.	3.00	2.00	6.00

How do we start?

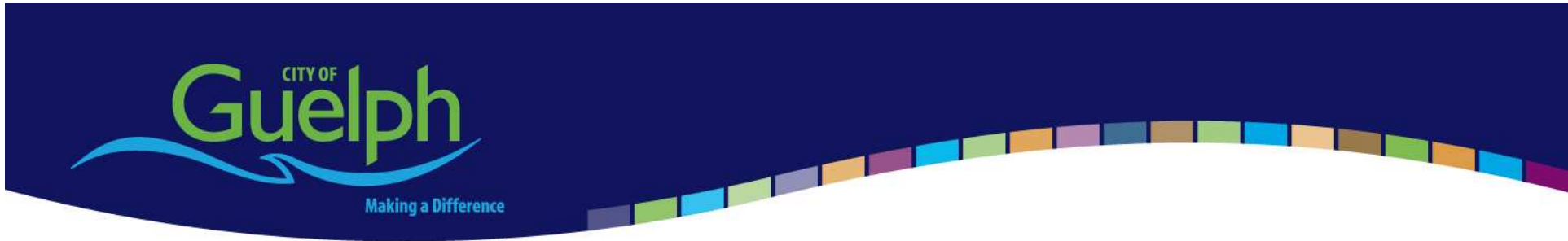|		
Step 1 **Define the objectives** What are the primary objectives of the project or work being undertaken?	**Step 2** **Identify the risks** Review the risk categories and ask the question "What things could happen that might affect our objectives?	**Step 3** **Analyze the risks** (**Likelihood and Impact**) Ask "How likely is this to happen and what are the consequences?
Step 4 **Create the** **Risk Register**	**Step 5** **Accept, manage or mitigate the risks** Identify actions to minimize the effect of the risk or to avoid the risk entirely	**Step 6** **Monitor, update, report** Continuously monitor the status of risks and adjust the risk ratings as situations change

Questions?